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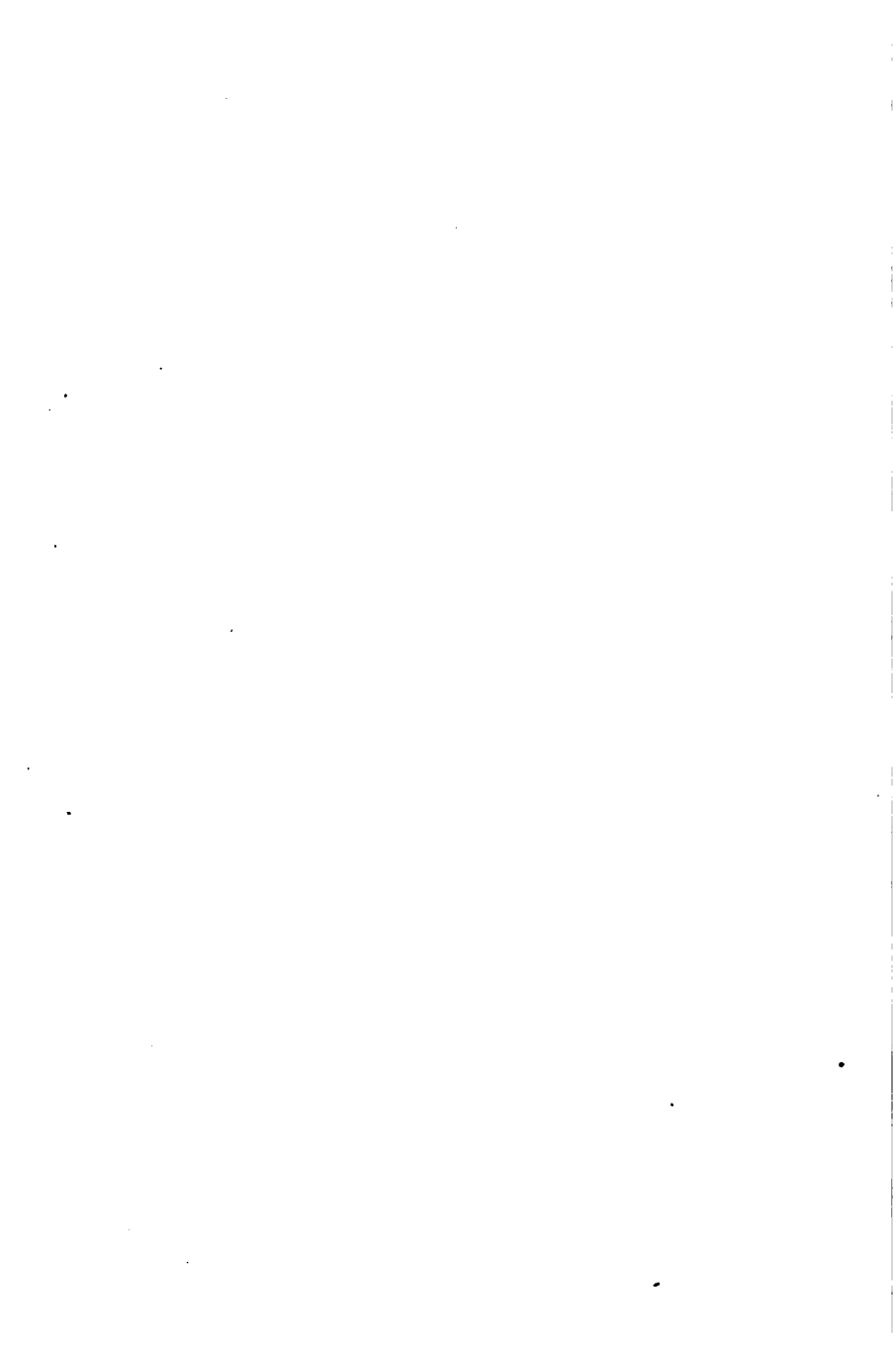
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BY

IRA MAYHEW, LL.D.

Author of "Mayhew's University Book-keeping," "Mayhew's Practical Book-keeping," and "Means and Ends of Universal Education," and formerly Superintendent of Public Instruction in Michigan.



"Deliver all things in number and weight, and put all in writing that thou givest out or receivest in."—ECCLESIASTICUS XLII: 7.

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PREFACE.

THE schools of a country should teach what its children and youth will need to know and practice on leaving them. Less than fifty years ago the principal branches taught in our public schools were, reading, writing, and arithmetic. But times have changed. The courses of study in the improved schools of the present time have been much extended, but not always wisely. Branches that were formerly of minor importance have now become essential. Among them is Book-keeping, which, thirty-five years ago, was not authorized as a public school study, even in the city of New York. With railroads now traversing our widely extended country in all directions, and with the telegraph, the telephone, and cheap postage, the buying, selling, and exchange of products have been greatly multiplied, thus making neighbors of persons hundreds and thousands of miles apart. As a consequence, in every portion of the country the comforts and luxuries of other parts of it are common. This easy interchange renders the knowledge and practice of Book-keeping a necessity of the times.

Besides, Book-keeping gives a mental discipline equal to that gained from the study of any other branch, and superior to that realized from the study of most branches. Double-entry Book-keeping, while a science, deserves to rank among the fine arts. It challenges the admiration of lovers of the beautiful and the true. It

cultivates the judicial powers of the mind. It quickens and strengthens the love of justice and equity. It promotes fair dealing among men. It contributes to private and public virtue. It leads to economy and thrift in private and public affairs. Its general study and practice will reduce pauperism and crime, and promote frugality and virtue.

This work begins with the elements of the science, and unfolds and applies its principles, observing the natural order of sequence. Its methods have been tested in the school room for twenty-five years, with uniform and increasing success. It requires study, but its study is a delight, and wins. In this small volume double-entry is clearly elucidated. Its principles are applied to a variety of businesses, including the keeping of books for individuals, for firms, and for joint stock companies. It gives special attention to opening and closing sets of books. It treats difficulties which business men have brought to its author as an expert accountant for solution. It presents special forms and books for manufacturers, physicians and farmers, and suggests others. While particularly adapted to use in schools, by its study business men in many cases may improve their knowledge of accounts and their methods of business.

IRA MAYHEW.

DETROIT, MICH., November, 1884.

CONTENTS.

	PAGE.		PAGE.
Abbreviations and Signs	6	Invoice Book	99
Definitions.	7	Third Set Rewritten	100
Classification of Accounts	8	Cash Book	102
Titles of Accounts	9	Fourth Set.	104
Illustrative Examples	10	Opening and Closing Books.	111
Examples for Practice	14	Examples for Practice	111
Double Entry	16	Equation of Payments	115
Illustrative Examples	16	Examples for Practice	116
Titles of Accounts	20	Equation of Accounts	119
Books of Account	25	Examples for Practice.	120
Rules for Journalizing	27	Short Method.	121
Opening Books.	28	Cash Balance	123
Trial Balance	29	Short Method.	124
Closing the Ledger	30	Time Table	126
Ledger Balances	32	Practical Problems	127
Diagram for Closing	33	Joint Stock Companies.	134
Illustrative Set.	34	Their Organization.	136
Commercial Papers.	46	Installment Scrip	138
Second Set	53	Certificate Book	140
Commercial Forms.	55	Transfer Book	140
Closing Ledger.	69	Capital Stock Ledger	142
Skeleton Ledger	73	Declaring Dividend	143
Bill Book	78	Special Columns	146
Day Book	80	Special Books	146
Journal	84	Time Book	147
Ledger	88	Physician's Diary	148
Third Set	92	Farm Accounts	150
Sales Book	98	Index	153

ABBREVIATIONS AND SIGNS.

Acct.	Account.	I. or Inv.	Invoice.
Advtg.	Advertising.	I. B.	Invoice Book.
Amt.	Amount.	Ins.	Insurance.
Ans.	Answer.	Int.	Interest.
Apr.	April.	Inv.	Inventory.
Art.	Article.	J. or Jour.	Journal.
Aug.	August.	J. D. B.	Journal Day Book.
B. or Bk.	Bank.	J. P.	Journal page.
Bal.	Balance.	Jan.	January.
Bbl.	Barrel. [Book	L. B.	Letter Book.
B. B.	Bill Book, or Bank	lbs.	Pounds.
B. Pay.	Bills Payable.	L. F.	Ledger Folio.
B. Rec.	Bills Receivable.	M. or mo.	Month.
Bush.	Bushel.	Mar.	March.
C. or Ct.	Cent.	Nat. Bk.	National Bank.
Cash.	Cashier.	No.	Number.
C. B.	Cash Book.	Nov.	November.
Ck.	Check.	Oct.	October.
Co.	Company.	P. or p.	Page.
C. O. D.	Collect on delivery.	Payt.	Payment.
Com.	Commission.	Pd.	Paid.
Const.	Consignment.	Pkg.	Package.
Cr.	Creditor.	Per an.	By the year.
D. B.	Day Book.	P. & L.	Profit and Loss.
Dec.	December.	Prem.	Premium.
Dep.	Deposit.	Pres.	President.
Dft.	Draft.	R. R.	Railroad.
Dis.	Discount.	S. B.	Sales Book.
Do. or do.	The Same.	Sec.	Secretary.
Doz.	Dozen.	Sept.	September.
Dr.	Debtor.	Shipt.	Shipment.
ds. or ds.	Days. [excepted.	St. Dft.	Sight Draft.
E. & O. E.	Errors and omissions	Sunds.	Sundries.
Etc. or etc.	And so forth.	Tr. or Trans.	Transaction.
Ex.	Example.	Viz.	To wit; namely.
Exc.	Exchange.	\$	Dollars.
Exp.	Expense.	¢	Cents.
fav.	Favor.	@	At, or to.
Feb.	February.	%	Account.
F. or Fol.	Folio.	%	Per cent.
Frt.	Freight.	✕	Number.
Hdkf.	Hankerchief.	✓	Check mark.

THE ECLECTIC

COMPLETE BOOK-KEEPING.

DEFINITIONS.

Article 1. Business is an occupation or employment for maintenance or gain; as, farming, trade, profession, or other pursuit.

2. A Transaction is the act of buying or selling, whether payment is made at the time, or property is bought or sold on account to be paid for at some future time.

3. A Debtor is one who owes another, or is in *debt* to him. When a person *receives* value from us, without at the time paying for it, *he* becomes *our* Debtor. When property sold by us is paid for at the time, the *thing received* is Debtor.

4. A Creditor is one who trusts or *credits* another. When a person *gives* value to us, without at the time receiving payment, *he* becomes *our* Creditor. When property bought by us is paid for at the time, the *thing given* is Creditor.

NOTE.—The Receiver, or Thing *received*, is Debtor. The Giver, or Thing *given*, is Creditor.

5. An Account is a statement of the debits and credits resulting from business transactions relating to it. Accounts are kept with both persons and things.

6. Book-keeping is a systematic record of business transactions, showing the kinds and amount of property and debts at the beginning, the debits and credits, and the gains and losses arising from the business transacted, and the net result of the business as a whole.

7. Assets or Resources embrace whatever property we possess, together with any and all sums owing to us in notes, accounts, or otherwise.

8. Liabilities include all debts we owe, whether expressed in notes, in accounts, or otherwise.

CLASSIFICATION OF ACCOUNTS.

9. All accounts arising in business may be arranged, according to their nature, under proper heads, in each of two classifications.

10. First Classification. All the accounts of a merchant's Ledger may be classified under the three following heads: (1) Personal Accounts; (2) Real Accounts; (3) Imaginary Accounts.

11. Personal Accounts are accounts kept with persons, firms, or corporations with whom we transact business. These are properly kept under the names of the persons or firms with whom we deal, and show *their relations* to us.

12. Real Accounts are accounts kept with *realities*, and include all accounts of effects or things in which we deal; as, Real Estate, Cash, Merchandise, Bills Receivable, Bills Payable, etc.

13. Imaginary Accounts are titles employed to represent the person or company that conducts a business, or

to supply the want of some personal or real title in keeping our accounts. Under this head are included all accounts that are neither Personal nor Real; as, Stock, Expense, Interest, etc.

14. Second Classification. All accounts admit of another classification, and are either: (1) Speculative, or (2) Non-speculative.

15. *Speculative Accounts* are accounts that indicate the source of *gain* or *loss*. Of this class are Merchandise, Real Estate, Interest, Expense, etc.

16. *Non-speculative Accounts* include accounts that, from their nature, have neither *gain* nor *loss* connected with them, unless it arises incidentally; as, Cash, Bills Receivable, Bills Payable, Personal Accounts, etc.

17. Every account enters into each of these classifications, thus: Merchandise is Real and Speculative; Cash is Real and Non-speculative; Interest and Expense are each Imaginary and Speculative; while Stock and Profit and Loss are each Imaginary and Non-speculative, although Stock represents the dealer or speculator, and Profit and Loss may temporarily hold *measures* of speculation, or of *gains* and *losses* that have arisen in Speculative Accounts.

TITLES OF ACCOUNTS.

18. The Titles of accounts are the *names* by which our accounts are known. Personal accounts bear the names of the *persons* with whom we deal; Merchandise is the title commonly employed to represent any and all kinds of *property* bought and sold for gain; Bills Receivable include all written promises of payment in the future, made by others, whether notes or acceptances, which we hold, and on which we are entitled to *receive* payment; Bills Payable include all such written promises of ours,

held by other persons, which we are under obligation to *pay* at maturity.

ILLUSTRATIVE EXAMPLES.

19. A few illustrative examples will enable the learner better to understand the use of the definitions already given. Personal Accounts being most readily understood, we begin with one, as shown below, giving the transactions, and the side of the account to which each belongs. We write the name of Asa Adams at the head of the account, to show with whom the account is kept, and bear in mind that it is his relations to us (*not* ours to him) that we consider. By reference to Arts. 3 and 4, we see when persons become our Debtor, and when our Creditor. Dr. entries are always written on the *left* side of an account, and Cr. entries on the *right*, whether the Dr. and Cr. are entered with the title of the account or not.

FIRST EXAMPLE.

20. The following seven transactions give rise to the entries with corresponding numbers in the account:

- Trans. 1.* We sell Asa Adams one Hat for \$5.
- Tr. 2.* We sell him one Suit of Clothes for \$14.
- Tr. 3.* He pays us \$10 in Cash on account.
- Tr. 4.* He buys of us on acct. Mdse. worth \$15.
- Tr. 5.* He sells to us five Cords of Wood for \$20.
- Tr. 6.* We pay his Order on us for \$25 in Mdse.*

* We here insert the Order, as Asa Adams might have written it, if he had wished The Student to pay this sum to James Workwell:

(Date) *Place, Month, Day, Year.*

The Student:—Please pay to James Workwell Twenty-five Dollars in Merchandise, and charge the same to my account.
\$25.00.

ASA ADAMS.

Tr. 7. We settle, and he pays us the amount our due in Cash. How much does he pay us? *Ans.* \$29.

<i>Dr.</i>	ASA ADAMS	<i>Cr.</i>
1	5	3 10
2	14	5 20
4	15	7 29
6	25	
	59	59

21. Before the 7th Trans. occurred, Asa Adams had bought of us \$59 worth of Merchandise. We had given him no money, or legal tender, which is a "measure of value;" but *money worth*, which is called "money of account." He had paid us \$10 in Cash, and \$20 worth of Wood, or "money of account," making together \$30. He therefore owes us the difference between the \$59 which we have let him have, and the \$30 he has paid us. This difference is \$29, which he pays us, as stated in Trans. 7, when the account is settled, and may be ruled off as shown in the Example. It will be observed that the place of the footings (as the amounts of columns are called) is determined by the greatest number of entries on either side of the account, both footings being placed on the same horizontal line.

SECOND EXAMPLE.

22. The Transactions of this Example are likewise numbered, as are the entries in the account based upon them.

Trans. 1. Ben Brooks buys of us a Horse for \$150.

Tr. 2. We sell him a Village Lot for \$420.

Tr. 3. He buys of us a Wagon and Harness for \$275.

Tr. 4. We buy of him a House and Lot for \$800.

Tr. 5. We sell him two Cows for \$25 each.

Tr. 6. We sell him 21 Sheep at \$3.25 each.

Tr. 7. We buy of him 9 Tons of Coal at \$4.75.

Tr. 8. We settle. The balance of the account is paid in Cash. Did he pay us, or we him? and how much?

Ans. He paid us \$120.50.

Dr.			BEN BROOKS			Cr.		
1	150		4	800				
2	420		7	42	75			
3	275		8	120	50			
5	50							
6	68	25						
	963	25		963	25			

23. From Arts. 3 and 4 we learn that when in a transaction property of any kind *received* from others is paid for at the time by values *given* them in exchange, neither buyer nor seller becomes either Dr. or Cr. In such cases the Thing *received* is Dr.; and the Thing *given*, Cr. The Thing *received* is Dr. because it costs us whatever is given in exchange for it. The Thing *given* is Cr. because it entitles us to the value received in exchange for it.

24. In keeping an account with Cash, the principles just stated apply. When Cash is *received* by us, it *costs* us the giving up of property, the rendering of personal service, or an obligation to pay at another time, and is hence Dr. When Cash is *given* by us to others, it *serves* us, by paying for something we want, by cancelling a debt, or by giving us a claim for money or property in the future, and is hence Cr., as is illustrated in the

THIRD EXAMPLE.

25. In order to possess more certain knowledge of our receipts and payments of money, we keep a Cash account.

Trans. 1. We have \$25 on hand, which remains from wages heretofore received, or from property sold.

Tr. 2. We sell 28 bush. of Wheat at \$1 per bushel, receiving Cash in payment.

Tr. 3. We subscribe for a Daily Paper for one year, paying \$10 in advance for it.

Tr. 4. We buy one Suit of Clothes, for which we pay \$24.

Tr. 5. We sell for Cash 80 bush. Potatoes at 60 cents a bushel.

Tr. 6. We receive payment in full for a Note of \$25, with \$1.50 for Interest on the same.

Tr. 7. John Smith pays us \$17.20 in settlement of his account.

Tr. 8. We pay John Jones \$14.25 for a bill of Mdse. this day bought of him.

Tr. 9. We balance the Cash account.

<i>Dr.</i>		CASH		<i>Cr.</i>	
1	25		3	10	
2	28		4	24	
5	48		8	14	25
6	26	50	9	96	45
7	17	20			
	144	70		144	70
	96	45			

Wishing to ascertain whether our Cash account has been correctly kept, and whether we have the amount on hand the account calls for, we examine the account and find that, with the amount *on hand* at the beginning, and the four sums *received* since,—

There has come into our hands	\$144.70
The three sums paid out together make .	48.25
We ought therefore to have on hand the difference	\$96.45

On counting our money we find we have on hand this amount. The money, as counted, agreeing with the sum required by the figures, we conclude the account has been correctly kept, and that there has been no mistake either in paying or receiving the sums required by the transactions. We therefore enter on the Cr. side of the account the \$96.45, *in red ink* (here indicated by different type), to show that it *has not been* paid out. The footings of the two sides now agree, and we bring down the balance *not paid out*, on the Dr. side of the account, *in black ink*, to show that this sum is still *on hand*, as the \$25 was at the beginning of the account.

26. These three accounts, with "Adams," "Brooks," and "Cash," in connection with the preceding and accompanying definitions and illustrations, can hardly fail to be readily understood. All accounts with *persons* are kept on the same principle with the first two of these; and all accounts with *property*, as Merchandise, Real Estate, Bills Receivable, etc., are kept on the same principle as that with Cash.

EXAMPLES FOR PRACTICE.

FIRST EXAMPLE.

Trans. 1. We sell S. S. Packard on account a bill of Mdse. for \$40.

Tr. 2. He pays us \$25 in Cash on account.

Tr. 3. We sell him one Horse for \$240.

Tr. 4. We buy of him a bill of Mdse. Amt. \$210.

Tr. 5. We pay his Order on us for \$35.

Tr. 6. He buys of us a bill of Mdse. Amt. \$75.

Tr. 7. He pays our Order on him for \$30.

Tr. 8. We settle, and the balance of the account is paid in Cash. Do we pay him, or he us, and how much?

Ans. He pays us \$125.

SECOND EXAMPLE.

- † *Trans. 1.* We fill T. May Pierce's order for Books, Amt. \$75.
- Tr. 2.* He remits us \$50 in Cash on account.
- Tr. 3.* We sell him one Carriage-horse for \$325.
- Tr. 4.* We fill his order for Books. Amt. \$85.
- Tr. 5.* We furnish him a bill of Mdse. Amt. \$40.
- Tr. 6.* He remits us a Draft on New York for the balance due us on account. For what sum was the Draft made?
- Ans.* \$475.

THIRD EXAMPLE.

- † *Trans. 1.* We sell a bill of Mdse. to R. C. Spencer on account. Amount \$45.
- Tr. 2.* We receive \$38 in Cash from a customer.
- Tr. 3.* We sell A. D. Wilt a bill of Mdse. for \$48.
- Tr. 4.* We buy of C. E. Cady a bill of Stationery amounting to \$140.
- Tr. 5.* A. D. Wilt pays us \$40 in Cash on account.
- Tr. 6.* We sell a bill of Books to R. C. Spencer for \$37.
- Tr. 7.* R. C. Spencer sends us an \$80 New York Draft, indorsed in our favor, for his credit in account.
- Tr. 8.* The Draft received from Spencer we indorse to C. E. Cady, and send it to him for our credit.
- Tr. 9.* We fill R. C. Spencer's order for \$60 worth of Mdse.
- Tr. 10.* R. C. Spencer sends us his Draft on C. E. Cady, in our favor, for \$50, which Cady accepts on acct.
- Tr. 11.* R. C. Spencer pays us \$10 in Cash.
- Tr. 12.* We pay C. E. Cady the balance his due in Cash. What are the balances to these several accounts?

NOTE.—This Example requires entries to each of four separate accounts, to-wit:—R. C. Spencer, Cash, A. D. Wilt, and C. E. Cady. Some of the Transactions require entries to two accounts.

Ans. R. C. Spencer's account has a Dr. balance of \$2. A. D. Wilt's has a Dr. balance of \$8. They owe us these sums. We have \$78 in Cash, this being the Dr. balance. C. E. Cady's account balances.

DOUBLE-ENTRY BOOK-KEEPING.

27. Double-entry Book-keeping is a method of keeping accounts based upon the fact that whenever one person or thing becomes Dr. some other person or thing becomes Cr. in like amount. It recognizes both of these relations as existing in all transactions, and so records them as to make the Dr. amounts arising from them, whether belonging to one or more titles of account, just equal to the Cr. amounts thus arising, whether belonging to one or more titles of account. It opens a set of books in equation. Each transaction is so recorded as to add equal sums to both sides of it, and thus keep the accounts arising from the transactions of a business in perpetual equilibrium, from beginning to end.

ILLUSTRATIVE EXAMPLES.

28. EXAMPLE 1.—We sell to John Smith a bill of Merchandise for \$40 in Cash. As John Smith *pays* for what he buys, *he* does not become Dr.; but Cash, which is *received* in payment, is Dr. (Art. 3), and Merchandise, which is *given* in exchange for it, is Cr. (Art. 4). Such transactions are usually written in account as follows:

Cash Dr.	\$40.	
To Merchandise		\$40.

This entry does *not* mean that Cash is Dr. to Merchandise. By the transaction we acquire a right to *one* kind

of property by relinquishing our claim to *another* kind of property. The entry simply implies that the Cash *received*, and becoming ours at the cost of the Merchandise given in exchange for it, is Dr.; while the Merchandise *given*, which makes the Cash received ours, is itself Cr. for the value it brings us. The "To" before Merchandise, implies that this account is Cr. But were both the "Dr." and the "To" omitted, it would still be understood that Cash, at the *left*, is Dr., and that Merchandise, at the *right*, is Cr.

Should \$40 worth of Merchandise be sold to John Smith *on account*, HE would be Dr. instead of Cash, as above, and the entry would be:

John Smith Dr.	\$40.	
	To Merchandise	\$40.

Another example may make this clearer to the learner.

EXAMPLE 2.—Suppose we owe Henry Brown \$25, and John King owes us a like sum, which we are assured he will pay us when requested to do so. We may make and give to Brown a Draft on King, in Brown's favor, for the sum we owe the latter. The entry required would then be:

Henry Brown Dr.	\$25.	
	To John King	\$25.

Which does *not* mean that Brown is Dr. to King. The real meaning of the above entry is this:

Henry Brown <i>is Dr. to us for</i>	\$25.	
<i>We are Dr.</i>	To John King <i>for</i>	\$25.

But as *the books are ours*, we should not write in them *our relation* to others, but the *relation of others* to ourselves, which is done as first entered above, or by omitting the words here entered in italics.

NOTE.—We here present the form of Draft which might properly be used in this example.

B. K.—2

\$25.00.

(Date) *Place, Month, Day, Year.*

At sight pay to the order of Henry Brown Twenty-five Dollars, and charge to account of

TO JOHN KING.

THE STUDENT.

29. In each of the preceding examples, two titles of account have arisen, one of which has been Dr. and the other Cr., the Dr. and Cr. amounts being the same in every case. Often, however, transactions give rise to three, four, five, or more titles of account; but the amount of all the Dr. titles arising from a transaction, must always exactly equal the amount of all the Cr. titles arising from it, although the number of Dr. titles may be more or less than the number of Cr. titles. There may be:—

1. One Dr. title and one Cr. title, as above.
2. One Dr. title and two or more Cr. titles.
3. Two or more Dr. titles and one Cr. title.
4. Two or more Dr. titles and two or more Cr. titles.
5. Any number of Dr. titles and any number of Cr. titles.

We here submit a few illustrative examples.

TRANSACTIONS AND ENTRIES.

EXAMPLE 1. *One Dr. title and one Cr. title.*

We buy \$240 worth of Merchandise and pay in Cash.

ENTRY OF THIS EXAMPLE.

Merchandise Dr.		\$240.	
	To Cash		\$240.

EXAMPLE 2. *One Dr. title and two Cr. titles.*

We hold a Note for \$400, which is paid in Cash, with \$12 for Interest on same.

ENTRY OF THIS EXAMPLE.

Cash	Dr.	\$412.	
	To Bills Receivable		\$400.
	" Interest		12.

EXAMPLE 3. *Two Dr. titles and one Cr. title.*

We pay a Note for \$500, with Interest on same amounting to \$25.

ENTRY OF THIS EXAMPLE.

Bills Payable	Dr.	\$500.	
Interest		25.	
	To Cash		\$525.

EXAMPLE 4. *Two Dr. titles and two Cr. titles.*

We sell \$180 worth of Merchandise and a Village Lot worth \$300, receiving in payment \$250 in Cash and a Note for \$230.

ENTRY OF THIS EXAMPLE.

Cash	Dr.	\$250.	
Bills Receivable		230.	
	To Merchandise		\$180.
	" Real Estate		300.

EXAMPLE 5. *Several Dr. titles and several Cr. titles.*

We buy of Thomas Brown \$80 worth of Merchandise, a Village Lot for \$240, and Fuel for the store for \$100. We give in payment a Note we hold against him for \$375, with \$25 of Interest due on same; and one bbl. of Flour worth \$8: balance on account.

ENTRY OF THIS EXAMPLE.

Merchandise	Dr.	\$ 80.	
Real Estate		240.	
Expense		100.	
	To Bills Receivable		\$375.
	" Interest		25.
	" Merchandise		8.
	" Thomas Brown		12.

30. The writing of transactions so as to indicate the titles of account that are Dr. and the titles that are Cr., with the proper sums attached to the several titles thus arising, as shown in the preceding examples, is called Journalizing, the Journal being the book employed for this purpose. (Art. 52.)

TITLES OF ACCOUNTS.

31. Titles of Accounts are the names by which our accounts are known. (Art. 18.) In Double-entry, we keep accounts with all persons with whom we deal, with every kind of property we possess or become interested in, with expenses incurred in conducting the business, with profits and losses arising in the business, and so on. Suitable titles must therefore be employed, as required by the nature of the business.

32. Personal Accounts are accounts kept with persons. Each such account bears the name of the person with whom it is kept. In case of Firms or Companies, the titles employed are the names under which they transact business. When the name is not sufficient to identify a person or firm, the location should be added.

33. Stock is the title of account employed to represent the person or company that conduct business. Stock does not mean *property*, but the *owner* or *owners* of property, who may also have *debts* to pay. In opening the books for a business, the several kinds of property belonging to the business are each Dr., under its proper title, to Stock for the amount of the whole; and, if there be any debts to be paid, Stock is Dr. for the amount of them to the Persons owed, to Bills Payable, or to whoever or whatever represents the claim.

34. Firm Name is the name under which several persons join to carry on business, and generally consists of

the names of the persons composing the Firm, or of one or more of them and Co.; as, *Smith and Brown*, or *Smith, Brown & Co.*, as the case may be. While the firm is thus known to others, the word Stock is employed to represent the firm in its own books of account. The Stock Account is then Cr. for the assets of the firm, and Dr. for its liabilities, and will have a Cr. balance for the Firm's *net* investment in business, unless, as is sometimes done, each partner is made Cr. for his assets and Dr. for his liabilities, instead of keeping a Stock Account.

NOTE.—Any member of a firm may deal with the Firm, buying of it or selling to it, the same as other parties, the account with each member of the firm so dealing being kept in his own name. In such cases, the net profit or loss of the business for a given time may be closed into Stock or to the individual members composing the Firm, as they may agree.

35. Merchandise is the title of account employed to represent any and all kinds of property belonging to us, bought and sold for gain. It usually includes Dry Goods, Groceries, Hardware, Wheat, Flour, etc., embracing whatever one deals in, and is made Dr. for its cost, and Cr. for the receipts from sales. When the Cr. side of the account is in excess, the difference represents Profit; when the Dr. side is in excess, a Loss. When a person deals in *one thing*, as Wheat or Flour, the name of the *thing dealt in* is often used as the title of the account instead of Merchandise.

36. A Consignment is property *received by us* from another, to be sold on *his account* and risk. The Consignee does not himself *buy* such property, but receives it to *sell* for the Consignor. The title of the account usually combines the *name* of the Consignor and Consignment, thus: *John Smith's Consignment*. Consignments are Dr. for charges paid and services rendered on their account, and finally for their net proceeds, when ascertained and

paid to the Consignor or entered to his credit in account. They are Cr. for receipts from sales.

37. A Shipment is property *sent by us* to another, to be sold on *our account* and risk. The title of the account usually combines Shipment and the name of the person to whom sent, the place to which sent, or both, thus: *Shipment to Jay Cook*, or *Shipment to Boston*. Shipments are Dr. for the invoice price of property so sent away, including shipping charges (if any) paid by the Consignor; and Cr., on receiving an account sales from the Consignee, for their net proceeds, when for gain or loss they properly close into the Profit and Loss Account.

38. Expense is the title under which an account of the *expenses* incurred in conducting a business is kept; such as freight, store rent, clerk hire, fuel, lights, etc. It includes all expenses connected with a business that do not more properly belong to some other account.

NOTE.—In case one wishes to know the cost of Advertising his business, of Stationery used in it, of Fuel and Lights, or of any class of Expense, he may keep an account with them severally, considering each such account as a *branch* of the Expense account. All such accounts are Dr. for their cost, and Cr. for any thing sold from them; but generally they have no Cr. entry until closing the books for profit or loss.

39. Real Estate includes all fixed property, as houses and lands, and is Dr. for its cost, and Cr. for what it brings. On closing the account, at any time, for profit or loss, it is Cr. for the actual *worth* of what remains on hand.

NOTE.—Any outlay for the *permanent* improvement of Real Estate properly belongs to the Dr. side of this account; while any sums paid for the *temporary* benefit of such property in conducting a particular business, would, in the records of that business, properly belong on the Dr. side of the Expense Account.

40. Cash is the title of one's account with money, and with what are known as Cash items; as, bank checks,

sight drafts, etc., which are payable in money when called for. This title does not include notes and drafts that become due and payable at some *future day*, but simply Cash and Cash items *in hand*.

NOTE.—The Cash account does not properly include our credit in bank, although such credit may be realized at any time by check. When we deposit money in bank, the Bank becomes Dr. and Cash Cr. Sums so deposited cease to belong to our Cash account, and enter into our Bank Account.

41. Bank Accounts are kept under the names of the Banks with which we deal. The Bank becomes Dr. for our deposits in it, and Cr. for our checks drawn upon it.

NOTE.—Our transactions with Banks are properly in writing. When our deposits are made, whether in Cash or cash items, they are described on a deposit check made by us, giving the name and sum of each item, and the amount of the whole, and the amount is entered by a bank officer in our deposit book. And, when we want money from the bank, we write and sign our application for it in a paper called a check, stating the sum asked for, and to whom we wish it paid. These precautions are wise, guard against errors, and protect both banks and depositors in their just rights.

42. Bills Receivable include all Notes, Drafts, and Acceptances which we hold against others, on which we are entitled to *receive* payment at some future day.

NOTE.—When such papers are *received*, they *cost* us, and are Dr. for their *face* value. If we give less than this for them, Discount (or other proper title) is Cr. for the difference. When such papers are *paid*, they are made Cr. for their *face* value. If the payment *exceeds* this, Interest is Cr. for the excess. When the payment is *less* than the *face*, Discount or Profit and Loss is properly made Dr. for the difference, as will be apparent when we come to use them.

43. Bills Payable include all Notes of ours and Drafts of others on us which we accept and promise to *pay* at some future time.

NOTE.—When Notes are *given*, or Drafts are “accepted” (a virtual promise to pay), they *serve* us, and are hence Cr. for their *face* value. When they mature, or become due, and are paid, they *cost* us, and are hence Dr. for their *face* value. Whenever the sum given or re-

ceived for either Bills Receivable or Bills Payable, is more or less than their *face* value, the difference is entered to Interest, Discount, or Profit and Loss, as the case requires. The *gain* or *loss* resulting from handling Bills, being entered in our accounts with Interest and Discount, constitutes these *speculative*, while the accounts with Bills themselves, are *non-speculative*. (Arts. 15 and 16.)

44. Interest, as commonly defined, is the *sum paid* by the borrower to the lender *for the use* of money. But, strictly, Interest is the *use* of money.

NOTE.—Suppose we loan \$1000 for a term of years on a note bearing annual interest at 6 per cent. At the end of one year we receive \$60 *for interest*. What we receive is Cash, which comes to us in exchange for *the use* of the \$1000 loaned, which *use* is Interest. This is why Cash, the thing *received* is Dr., while Interest, the thing *given* in exchange for it, is Cr. The Interest account is Dr. when *we pay others* for the use of money borrowed, and Cr. when *we receive pay* from others for the use of money loaned. The Interest account, like other accounts, is Dr. when we *give* value for it, and Cr. when we *receive* value on its account.

45. Discount is Interest paid in advance, or a deduction from an account, or from a price asked. The account is kept on the same principle as Interest, as explained in Art. 44.

NOTE.—Storage, Commission, and Insurance, are titles of accounts required to be kept in some branches of business; but the general principles of Dr. and Cr., which have been fully elucidated, apply to these, and to all other accounts we may have occasion to keep.

46. Profit and Loss is the title of the account employed for giving a condensed statement of the *profits* and *losses* connected with one's business.

NOTE.—The Profit and Loss account is not itself speculative, and contains neither the profits nor the losses of the business, but simply *measures* of them. The *profits* themselves appear among the Assets of the business, and constitute a part of them, while the *losses* are represented in its Liabilities, or consist of values that have been parted with in conducting the business. The measures of these profits and losses are first indicated by the speculative accounts that have given rise to them, and are thence transferred to this account in the process known as closing the Ledger, shown in Arts. 61 to 65. But first in order we should consider Account Books.

BOOKS OF ACCOUNT.

47. Account Books are books used for keeping one's accounts. The number and kind of books required for use by any person must depend upon the nature and extent of his business.

NOTE.—In a simple and limited business where personal accounts only are kept, the Ledger is sometimes the only book used. As a business is extended, a Day Book, a Journal, a Bill Book, and a Cash Book become necessary. Besides these, a Sales Book, an Invoice Book, and sometimes other books are needed. A Time Book and various other books are required in some businesses. The names of books are often sufficient of themselves to indicate their uses.

48. The Day Book contains a concise history of one's business transactions, whether with few or many persons, written up under the date and in the order of their occurrence, and arranged with reference to convenience in journalizing.

NOTE 1.—The Day Book should begin with a brief and clear statement of all property, of whatever sort, which is put into the business, followed by an enumeration of outstanding notes or debts of any character which are to be met by the business. Then follow the transactions as they occur. When several items of a transaction belong to the debit or credit of the same account, they should be so entered as to give *their sum* for use in making the Journal entry.

NOTE 2.—The Day Book, the Journal Day Book, and the books defined in the next three paragraphs, being books of original entry, should be carefully written up at the time, to render them admissible as testimony in court, in case of litigation. In a limited business, the Day Book may properly contain both the sales and the purchases of the business. When these become extensive, a separate book may be employed for each.

49. The Sales Book contains the names and residence of persons to whom *sales* are made, with a description of the kind, amount, and value of the property sold, and the time of payment, where a credit is allowed. (See page 98.) When the Invoices furnished purchasers are copied in a Letter Book, this book may be considered

as a part of the Sales Book, and sales so copied may be transferred thence to the Journal or Ledger. Where the Cash transactions of a business are extensive, it is convenient to record them in a separate book, known as the Cash Book.

50. The Cash Book. This book may properly contain a record of all Cash received, whether from sales, from notes falling due, for services rendered, or for any other consideration; and of all sums paid for whatever purpose. It is hence a Cash Book and a Ledger for Cash. It is likewise a Journal for accounts on which moneys are received or paid.

51. The Invoice Book, as its name implies, contains Invoices of Merchandise bought. (See page 99.)

NOTE.—This book may be made by *copying* invoices received, or by pasting the Invoices themselves into a book prepared for this purpose. The latter method is preferable. It then becomes a book of *original entry*, and is admissible as evidence of the accuracy of one's accounts.

52. The Journal is a book in which the transactions first written in the Day Book, the Sales Book, or the Invoice Book are so entered as to make the sum of the amounts opposite the Dr. titles equal the sum of the amounts opposite the Cr. titles, and to facilitate their transfer to the proper side of their respective accounts in the Ledger.

NOTE.—When the first entry of a transaction has been in one of the above-named books, and the Journal refers, by page or date, to the book in which it was first written, every entry of the Ledger can be traced through the Journal to the book of "original entry" upon which the evidence of its accuracy chiefly rests.

53. The Journal Day Book, as its title implies, combines with the Journal the essential facts commonly recorded in a Day Book, so as to make this one book serve the double purpose of Journal and Day Book. Hence it is preferred by many.

54. Rules for Journalizing.—In writing up the Journal, the principles of Double-entry, as stated in Arts. 27 to 29, must be observed. Whenever one or more persons or things become Dr., one or more other persons or things become Cr. in like amount. The principles stated in Arts. 3 and 4 enable us to determine what titles are Dr. and what are Cr. More specific rules can hardly be given. But many are aided in the application of these rules, and in remembering them, by the homely verse following:

“By Journal laws what we receive
Is Debtor made to what we give.
Stock for our debts must Debtor be,
And Creditor for property.
Profit and Loss accounts are plain;
We debit Loss and credit Gain.”

55. Posting is transferring accounts from the Journal, Cash Book, and sometimes from other books, through which they are scattered, to the Ledger, and arranging those with the same person or of the same title on a folio by themselves, with proper reference figures in the books posted from, showing the page in the Ledger to which the items are carried, and, in the Ledger, showing the book and page from which an item is brought.

NOTE 1.—To avoid mistakes, it is well first to select a place in the Ledger for the account to be kept, then write its title under the proper letter in the Index, with the page on which it is to be kept. Next, write the title of the account in a clear and plain hand, centrally, on the upper blue line of the Ledger heading, and you are ready to begin posting.

NOTE 2.—Where there are but a few entries to an account, it is often found desirable to divide a page and enter a second short account in the space usually allotted to one. In such case, double red lines should be ruled entirely across the page, midway between the regular blue lines, say three or four lines below where the other account closed. Then write the title of the account to be opened here on the first blue line *above* the red rulings, and the year on the line next *below*.

NOTE 3.—The year should always first be entered on opening an account, and on bringing it down or carrying it forward. Then should follow the month, the day of the month, the description (if any), the folio of the book from which you post, and the amount. In the book from which you post, the folio of the Ledger to which the item is carried should be entered immediately after posting it.

56. The Ledger is the book employed for gathering from the Journal and books of original entry, and entering under their respective titles, the Dr. and Cr. sums belonging to the several accounts arising in one's business.

NOTE.—In a very limited business the Ledger may be the only book required, as illustrated in Arts. 20, 22, and 25. But generally it is made to contain a summary of records first made in the Day Book, the Sales Book, the Cash Book, the Invoice Book, and sometimes in the Bill Book, or Check Book, by posting directly from these books or by employing the Journal as a medium between them and the Ledger. No additional data is furnished in the Ledger. It contains the facts pertaining to *one account* together, while the other books have those occurring under *one date* together.

We come now to consider the work technically known as opening books.

OPENING BOOKS.

57. Opening books is making the necessary entries for indicating the exact condition of affairs at the time of beginning business (Art. 48, Note 1). In the Journal, the several kinds of property carried into the business, or devoted to it, should each be made Dr., under its proper title, for its value, and Stock should be made Cr. for the amount of the whole. In case of existing Liabilities at the time, Stock should be made Dr. for their amount to the several titles of account representing them. (Art. 33.)

NOTE.—The Journal may be opened with *one entry* by making the Resources Dr. to the Liabilities and to Stock, in which case the credit to Stock will represent the *net investment* in the business.

58. The Journal entries for the current transactions of a business are readily made. Each transaction gives rise to entries to two or more accounts, of which one or more is Dr., and one or more Cr. In journalizing, write first the titles of account that are Dr., with the proper amount opposite each; then the titles of account that are Cr., with the proper amounts opposite. The number of Dr. titles that a transaction gives rise to may be *more* or *less* than the number of Cr. titles; but the Dr. amounts, taken together, must in all cases exactly equal the Cr. amounts, taken together. (Arts. 27 to 30.)

TRIAL BALANCE.

59. A **Trial Balance**, as its name implies, is a *trial* to see if the accounts of the Ledger balance. As the Dr. and Cr. amounts arising from each Journal entry are equal, it is manifest that all of the Dr. amounts for a week, a month, or for any time, taken together, must exactly equal all of the Cr. amounts, taken together, for the same time. If, then, we post the Journal for any given time to the Ledger, it is evident the amount of the Dr. sides of all the accounts of the Ledger must exactly equal the amount of the Cr. sides of all the accounts. And as when any account is settled its two sides are equal, it is further manifest that the Dr. amounts and balances of such accounts as are unsettled, taken together, must just equal the Cr. amounts and balances, as illustrated in the Trial Balance at the 46th page. Should the amounts or balances of the two sides at any time disagree, an error must have arisen, which should be found and corrected. Trial balances are commonly taken in business at the close of every month, and often more frequently. They enable us to detect and locate mistakes that may arise; and the oftener balances are taken, the easier it is to find and correct errors.

60. In case the Trial Balance at any time indicates that mistakes have arisen, we should promptly correct them. When a mistake is indicated by a Trial Balance, it must have arisen since the last preceding balance was taken; so the more frequently they are taken, the less the amount of work to be examined in order to discover and correct any mistakes that have arisen. And it is proper to close one's books for gain or loss at stated intervals—annually or semi-annually—not only to ascertain the amount of profit or loss that has arisen during this time, but also that the books may show the true state of the business. When gain which has arisen is left in the business the Stock is increased, and the books should show it. On the contrary, in case of loss, the diminished Stock Account will indicate the true condition of affairs. Whenever we wish thus to close a set of books, a Trial Balance and an Inventory of property on hand should first be taken, when we may enter upon the work of closing.

CLOSING THE LEDGER.

61. Closing the Ledger is a systematic method of ascertaining the amounts, or *measures*, of profit and loss that have arisen in connection with the various speculative accounts of our business, and transferring these measures from the accounts that have given rise to them to the Profit and Loss Account, and the balance of this account, which will represent the net gain or loss of the business as a whole, thence to Stock or to the stockholders, as the case may require. By examining the several speculative accounts of our business (Art. 15), we can readily determine the gain or loss indicated by each. After taking the Trial Balance, preparatory to closing, we proceed as follows:

62. The Inventory of property on hand belonging to

such speculative accounts as have inventories, should be taken, and the amount of each such inventory entered on the Cr. side of the account in the Ledger to which it belongs, in *red ink*, as a balance belonging to that account. The Cr. balances of all speculative accounts of the Trial Balance indicate *gain*. An inventory belonging to any such account will *increase* the gain by its amount. The Dr. balances of all speculative accounts of the Trial Balance suggest *loss*. An inventory belonging to any such account will *decrease* the loss by its amount; and when the Inventory is greater than the balance, the excess will indicate *gain*. We are now prepared to transfer the measures of gain and loss from the accounts in which they have arisen, to Profit and Loss, which may be done in either of two ways. In the use of three Journal entries, as follows:

63. For Profits, make each and all accounts indicating *gain*, Dr. for the measures of gain they severally represent, to Profit and Loss, for the amount of the whole. This entry, when posted, will withdraw from each speculative account of the Ledger indicating *gain*, the measure of gain it has given rise to, and place the amount of the whole on the Cr. side of the Profit and Loss account, thus indicating (with any gains that may have been previously entered to this account) the *gross profits* of the business.

64. For Losses, make Profit and Loss Dr. for the entire loss, to the several accounts of the Ledger indicating *loss*, to each for its measure of loss. This entry, when posted, will withdraw the loss from all speculative accounts of the Ledger indicating *loss*, and place the entire loss of the business on the Dr. side of the Profit and Loss account. The Cr. side of this account will now indicate the *gross profit* of the business, and the Dr. side its *gross loss*. Should the Profit and Loss account now have a Cr.

balance it will indicate *net gain*; but with a Dr. balance, *net loss*. Finally, in either case, close the Profit and Loss account into Stock. This third closing entry, in case of *gain*, will be Profit and Loss Dr. to Stock; but in case of *loss*, Stock Dr. to Profit and Loss.

65. One Journal Entry may manifestly be made to do the work of these three in closing, thus: Make the several accounts indicating *gain* Dr., each for its measure of gain, to the several accounts indicating *loss*, each for its measure of loss, entering the difference between the sums of the gains, and the sums of the losses, directly to Stock, or in case of a firm or corporation, to the partners or stock-holders, according to the terms of their compact.

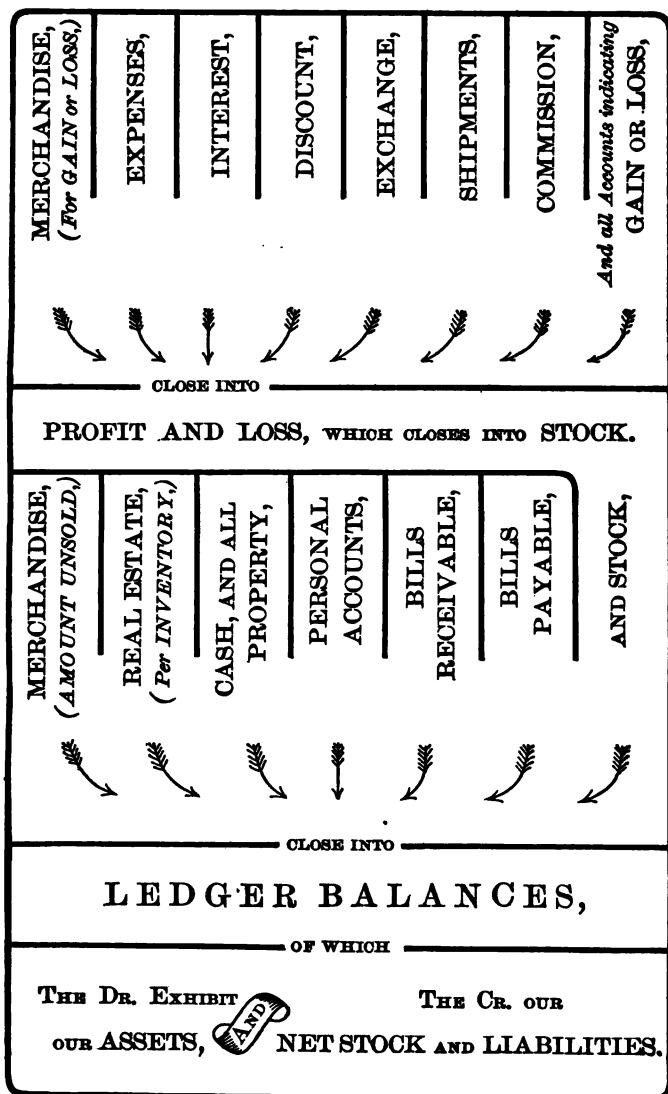
66. Advantages. This method of Closing the Ledger, in the use of Journal entries, instead of transferring the gains and losses of the business from several accounts of the Ledger to others, without the use of such entries, has two marked advantages:

1. It avoids occasion for the use of *red ink* entries, except for *balances* and Inventories (which are balances), and never requires more than *one red ink* entry to an account; and

2. It gives better protection against errors in the process of closing the Ledger, by placing the gains and losses of the business, with the net result of the whole, at once before the eye for examination, as in the case of Journal entries generally.

LEDGER BALANCES.

67. All Trial Balances, properly taken, exhibit the balances of the Ledger accounts at the time they are taken. While a business is in progress, with its ever-changing measures of gain and loss in the speculative



accounts in which they have arisen, such balances are properly known as Trial Balances, being taken to determine the accuracy of our work. But when we pause in our work, with a view to determining the net result of our business for a given period of time, or at its close, by eliminating all measures of gain and loss from the speculative accounts in which they have arisen, and entering the net result to Stock, the resulting balances may in a special sense be considered **Ledger Balances**, for such Dr. balances, taken together, including Inventories brought forward, represent our Assets, and such Cr. balances represent our *net* Stock and Liabilities. This movement and result are beautifully indicated in the diagram on page 33.

FIRST ILLUSTRATIVE SET.

68. In this Set, we omit dates, and employ numbers from 1 to 15 to represent the recorded transactions, or Day Book entries, which appear on the left pages, with the Journal entries based upon them, and bearing the same numbers opposite. The numbers employed in the Ledger likewise refer to the corresponding numbers of the Journal upon which the Ledger entries are based. This is done for convenience of reference in explanations offered.

69. The first twelve entries of the Day Book are all that relate to the business transacted. These the learner will do well to write up, in Day Book form, on Journal paper, (having two sets of money columns,) and from this write the Journal and post it to the Ledger. The money columns of the Day Book are used for *short* and *full* extensions without regard to the left being for Dr. and the right for Cr., as in the Journal. In entry 1 of the Day Book, the three accounts making up the Resources

are *short* extended. Their sum, when *full* extended, constitutes the Cr. to Stock. But in entry 2 all that is sold belongs to one account, and is therefore *full* extended, while the Cash received and the sum remaining as a debt against Smith, are *short* extended. And here, as the Cash received consists of two items, (currency and a check, Art. 40) that together belong to the same account, the items may be entered outside of the money columns, as shown in the Day Book. But instead of only the word "Merchandise," \$400, as here given, there should be entered in the Day Book the items sold, and the quantity and price per yard, pound, etc. of each such item, which together go to make up the amount given, thus:—

35 Bbls. Flour	@ \$5.50	\$192.50	
2000 lbs. Brown Sugar	" 8c.	160.	
95 " Black Tea	" 50c.	47.50	\$400

Unless a separate Sales Book is kept, in which case the Day Book would not repeat, but would simply refer to the page of the Sales Book where the items might be found, as will be hereafter illustrated. And so generally; for to establish a claim for property sold, we must be able to give a description of it as here indicated, and this should be made at the time of the sale, either in the Day Book or in a Sales Book, that may be referred to. In case of Merchandise bought, the reference would be to an Invoice Book, or to an Invoice by number, if on file.

70. In entry 5 of the Day Book, a part of the pay received is an Order made by Jno. Cook on F. Brown in our favor for \$120, which may be in form as follows:

\$120. *Place, Month, Day, Year.*

Pay to The Student One Hundred and Twenty Dollars and charge to my account.

To F. BROWN.

JOHN COOK.

In journalizing, we therefore make Brown Dr. for this sum, retaining the Order as our authority for so doing. Should Brown refuse payment, the Order becomes a claim against Cook, the maker. In entry 6, \$8 of the cash received is for the *use* or Interest of the \$200 represented by the Note we have held. (Art. 44.) The reason for the 6th Journal entry is hence manifest. In entries 7 and 9 of the Day Book, there being but one sale, or purchase, it is in each case full extended, and although entered but once in the Day Book, it in each case belongs equally to two accounts, as shown by the Journal entries. To indicate that a Day Book entry is journalized, a check may be made in left margin, as shown in first entry, page 40.

71. When Journal entries 1 to 12 inclusive are posted, the Ledger will have the form presented on pages 44 and 45 *at this stage of the work*; that is, when entries 1 to 12, which represent the business transactions of the Set, have been made, and *before* the three Journal entries for closing have been made and posted. The accounts with Bills Receivable and with F. Brown have been settled; the Profit and Loss Account has not yet been opened; and entries 13, 14, and 15, afterward posted to this account and to Merchandise, Interest, Expense, and Stock, have not yet been made. All of this will become plain to the student by his doing the work himself according to these instructions. As the accounts with Bills Receivable and F. Brown each balance, they may be ruled off and closed, as shown, when we may proceed to take a Trial Balance (Art. 59), omitting the two accounts closed. The result will be as shown on page 46, which indicates that the work has been correctly performed so far.

72. In closing the Ledger, after having taken the Trial Balance, we proceed as directed in Arts. 61 to 64. In

this Set the only Inventory we have is of Merchandise, amounting to \$220, which we enter on the Cr. side of this account, in *red ink*. There is a Cr. balance to this account, as shown by the Trial Balance, of \$130, which represents a *gain*; to which add the value of the Inventory, \$220, and we have a *gross gain* on Merchandise of \$350; and the Cr. balance of Interest shows a *gain* of \$5 from this account. These two measures of gain are, by entry 13, transferred from these two accounts to the Cr. of the Profit and Loss Account, now first opened.

73. We have examined the two *speculative* accounts of the Trial Balance indicating *gain*, and transferred their measures of gain to the Cr. side of Profit and Loss. Expense, which is *speculative*, and whose Dr. balance is \$45, is the only account indicating *loss*, or diminishing the gain. By entry 14 this account is balanced, and its measure of loss transferred to the Dr. side of the Profit and Loss Account. The Cr. side of Profit and Loss now represents the *gross gain* of the business, and its Dr. side shows the *gross loss*, or expense of conducting it. The difference between the sides gives the *net gain* of the business, which, by entry 15, is transferred to the Cr. side of the Stock Account, thus indicating the net result and present state of the business. The entries in the Day Book, here numbered 13, 14, and 15, it will be understood, would *not* be made in actual work, but only the *Journal* entries based on these statements, which are here given as aids to a clear comprehension of what is usually considered difficult, and are designed to indicate the line of thought in making the closing Journal entries.

74. The last three entries of the Journal relate to *measures* (or amounts) of *gain* and *loss* resulting from this business, *not* to the *matter* of gain or loss. The *measure* of gain on Merchandise here is \$350; while the

gain itself, or the *matter* of gain, is made up of Cash and personal accounts, as appears from entries 2, 5, 7, and 12; and the Interest Account shows a *measure* of gain, the matter of which consists of Cash, as appears from entries 6 and 10; while the Expense Account shows a *measure* of loss, which arose from Cash paid out, as shown by entries 4 and 9. Entry 15 simply transfers to the Cr. side of the Stock Account the *measure* of *net gain* resulting from the business, as shown by the Profit and Loss Account, but the *matter* of gain belongs to the accounts of the Ledger having Dr. balances. The accounts now remaining open constitute the *face of the Ledger*, and are brought together at the 46th page as Ledger Balances.

NOTE.—As explained in Art. 65 the work of the three Journal entries in closing might have been performed by one, as shown at the foot of page 43.

75. It is worthy of special mention that the Assets of this Set, on closing, consist of the various accounts of the Ledger Balances which have Dr. balances, together amounting to \$1510, including, of course, the Inventory to Merchandise which has been brought down in the Ledger in black ink, thus indicating that it is a balance on hand, unsold; while the Liabilities consist of the accounts with Cr. balances, except Stock. The Liabilities in this Set, on closing, consist of \$300 of Bills Payable, leaving \$1210 of Net Stock. The Assets, or the property held, it will be seen, is just enough to pay the Liabilities and leave \$1210 worth of property free to the proprietor, here represented by the Cr. balance to the Stock Account.

NOTE 1.—Great care should be taken to avoid mistakes. But in case at any time an erroneous entry has been made, it may be corrected by a counterbalancing entry, if the nature of the case will admit of it. Erasures or interlineations should be avoided. They vitiate books of original entry, or throw suspicion on them. It may sometimes become necessary to mark an erroneous entry "void,"

with such explanations as the case may call for, and give a reference to the place where the correct entry may be found.

NOTE 2.—Where entries have been omitted in Day Book or Journal, they should be made, when observed, as “omissions,” and posted under correct date.

NOTEWORTHY PARTICULARS.

The next seven pages (pp. 40 to 46) present the work of the First Illustrative Set to which the explanations from Arts. 68 to 75 relate.

The Journal entries, it will be observed, are numbered to correspond with the Day Book entries opposite them, upon which they are based.

The Ledger entries are likewise numbered, to show the Journal entries that produced them.

The Trial Balance on page 46 should be taken when the first twelve entries of the Journal have been posted to the Ledger.

The Ledger, as here written up, is closed in the use of *three* Journal entries, numbered 13, 14, and 15.

In case the Ledger is closed by *one* Journal entry, as shown at the foot of pages 42 and 43, the Ledger would be as here shown, *without* the Profit and Loss account.

The column at the left of the money columns of the Ledger is designed for entering the folio of the Journal from which the sums posted are brought, as will be illustrated further on.

The columns headed L. F. (Ledger Folio) in the Trial Balance and Ledger Balances, show the folios of the Ledger upon which these several accounts are written up.

DAY BOOK

1st Set.

1			
We commence business this day with the following Assets:—			
✓ Merchandise in Store per Inventory		600	
A Note against J. Brown for		200	
Cash in Safe	(Art. 57)	100	900
2			
Sell H. Smith Merchandise	(Art. 69)		400
Receive Cash	Currency \$100	250	
	Check 150	150	
Balance on acct.			
3			
Buy Merchandise,	Invoice No. 1		500
Give our Note for		360	
Pay balance in Cash		140	
4			
Pay Cash for freight on Mdse.	(Art. 38)		40
5			
Sell Jno. Cook Merchandise			300
Receive Cash		180	
His Order on F. Brown for		120	
6			
Receive Cash			208
For J. Brown's Note		200	
Interest on same		8	
7			
Sell F. Brown Mdse. on acct.			80
8			
Take up our Note for		360	
Interest on same		5	
Pay Cash			365

1st Set.

JOURNAL

1			
Merchandise	Dr.	600	
Bills Receivable		200	
Cash		100	
	To Stock		900
2			
Cash	Dr.	250	
H. Smith		150	
	To Merchandise		400
3			
Merchandise	Dr.	500	
	To Bills Payable		360
	" Cash		140
4			
Expense	Dr.	40	
	To Cash		40
5			
Cash	Dr.	180	
F. Brown		120	
	To Merchandise		300
6			
Cash	Dr.	208	
	To Bills Receivable		200
	" Interest		8
7			
F. Brown	Dr.	80	
	To Merchandise		80
8			
Bills Payable	Dr.	360	
Interest		5	
	To Cash		365

DAY BOOK.		1st Set.
9 —		
Pay Cash for Stationery		5
10 —		
Receive Cash of F. Brown, in full of acct.	200	
Interest on same	2	202
11 —		
Buy Merchandise	Invoice No. 2	400
Give in payment our Note	300	
Our Draft on H. Smith	100	
12 —		
Sell Merchandise for Cash		850

INVENTORY.—We have on hand Mdse. worth, per Inventory, \$220. This is treated as directed in Art. 62, which see.

13

This is not a business transaction, but simply transfers the measures of *gain* from the speculative accounts to the Cr. of Profit and Loss.

14

This transfers the measure of *loss* from the only account indicating loss, to the Dr. side of Profit and Loss.

15

Having brought the measures of *gain* and *loss* from all speculative accounts into Profit and Loss, this transfers the *net gain* to Stock.

One Journal entry, as shown opposite, would have accomplished the same result as the three Journal entries, 13 14, and 15, and here without a Profit and Loss account (none having been opened), as explained in Art. 65.

1st Set.

JOURNAL.

9			
Expense	Dr.		
	To Cash	5	5
10			
Cash	Dr.	202	200
	To F. Brown		2
	" Interest		
11			
Merchandise	Dr.	400	300
	To Bills Payable		100
	" H. Smith		
12			
Cash	Dr.	850	850
	To Merchandise		
13			
Merchandise	Dr.	350	
Interest		5	
	To Profit and Loss		355
14			
Profit and Loss	Dr.	45	45
	To Expense		
15			
Profit and Loss	Dr.	310	310
	To Stock		
Merchandise	Dr.	350	
Interest		5	
	To Expense		45
	" Stock		310

LEDGER.

1st Set.

Dr.	STOCK	Cr.
To Balance	1210	1 By Sunda. 900
	1210	15 " Profit & Loss 310
		By Balance 1210

Dr.	MERCHANDISE	Cr.	
1 To Stock	600	2 By Sunda.	400
3 " Sunda.	500	5 " do.	300
11 " do.	400	7 " F. Brown	80
13 " Profit & Loss	350	12 " Cash	850
		Inventory	220
	1850		1850
To Balance	220		

Dr.	CASH	Cr.	
1 To Stock	100	3 By Mdse.	140
2 " Mdse.	250	4 " Expense	40
5 " do.	180	8 " Sunds.	365
6 " Sunds.	208	9 " Expense	5
10 " do.	202	" Balance	1240
12 " Mdse.	850		
	1790		1790
To Balance	1240		

Dr.	H. SMITH		Cr.
2 To Mdse.	150	11 By Draft	100
		" Balance	50
	150		150
To Balance	50		

1st Set.

LEDGER.

Dr.	BILLS RECEIVABLE		Cr.
1 To Stock	200	6 By Cash	200

Dr.	BILLS PAYABLE		Cr.
8 To Cash " Balance	360	3 By Mdse.	360
	300	11 " do.	300
	660	By Balance	660
			300

Dr.	EXPENSE		Cr.
4 To Cash	40	14 By Profit & Loss	45
9 " do.	5		
	45		45

Dr.	F. BROWN		Cr.
5 To Mdse.	120	10 By Cash	200
7 " do.	80		
	200		200

Dr.	INTEREST		Cr.
8 To Cash	5	6 By Cash	8
13 " Profit & Loss	5		2
	10		10

LEDGER.

1st Set.

Dr.		PROFIT AND LOSS		Cr.	
14	To Expense	45	13 By Sunds.	355	
15	" Stock	310			
		355		355	

Dr.		TRIAL BALANCE.		Cr.	
Amounts.	Balances.	Accounts.	L. F.	Balances.	Amounts.
		Stock	44	900	900
1500		Merchandise	44	130	1630
1790	1240	Cash	44		550
150	50	H. Smith	44		100
360		Bills Payable	45	300	660
45	45	Expense	45		
5		Interest	45	5	10
3850	1335			1335	3850

Dr.		LEDGER BALANCES.		Cr.	
Accounts.	L. F.	Amounts.	Accounts.	L. F.	Amounts.
Merchandise	44	220	Stock	44	1210
Cash	44	1240	Bills Payable	45	300
H. Smith	44	50			
		1510			1510

COMMERCIAL PAPERS.

76. Commercial Papers are papers employed among business men in conducting commercial transactions, and include, particularly, all written evidences of debt; as, Notes, Drafts, Acceptances, Bills of Exchange, Certificates of Deposit, Bank Checks, etc.

NOTE.—We give definitions of those in common use, exhibit forms of papers employed in the business transactions herein written up, indicate the relations and obligations of the several parties thereto, the manner and effect of indorsements, and acceptances, etc.

77. A Note is a written promise to pay a certain sum of money, at a certain time, to a person named, to the order of a person named, or to the bearer, signed by the person promising.

NOTE 1.—A Note may be wholly printed, or partly written and partly printed. It may be written with ink of any color, or with pencil, and on paper or other material, as the maker prefers or finds convenient. Good paper and ink and a plain signature are desirable.

NOTE 2.—A Note is not complete without the signature of the promisor, who is hence known as its *maker*. The person named in a note, to whom, or to whose order the promise of payment is made, is the *payee*. The payee of a note by a written order across its back may direct its payment to another person, who becomes the *indorsee*, and possesses the rights of the original payee.

NOTE 3.—A Negotiable note is one that may be bought and sold, and thus have different owners at different times, who shall possess the right of enforcing collection at maturity in their own name. This requires that they be drawn payable to *order* or *bearer*. Notes drawn with *order* in them, as in Forms Nos. 1, 3, and 5 following, are *negotiable*; that is, they admit of being sold but require *indorsement*, as illustrated in Forms Nos. 3 and 4, where Henry Cook was the *payee*, but by indorsement John Clarkson becomes the *indorsee*, and rightful owner. Notes with *bearer* written in them, instead of *order*, are negotiable without indorsement.

78. The Note in Form No. 1, although negotiable, was held by the payee until due and paid, when it was properly indorsed, as shown in Form No. 2, the payees acknowledging payment over their signature; while the Note in Form No. 3 was conveyed to John Clarkson, as *indorsee*, who, when it became due and was paid, re-ceived it as shown in Form No. 4.

NOTE.—The Notes in Forms Nos. 3 and 5, although having the same maker, have different payees; but by sale and indorsement they have the same *indorsee*, to whom payment is made when they become due, as shown in Tr. 8, of the Second Set, following. No. 3 was on Inter-

est, and its wording properly so shows; but No. 5 says nothing of Interest, and of course bears none.

79. Where payable. Notes ought generally to show *where* they are payable. When this is not stated, they are understood to be payable where made; at the maker's place of business or at his residence.

NOTE 1.—A proper presentation of notes, drafts, and acceptances, at their *maturity*, to their makers or acceptors, is necessary to secure the holder's claim upon subsequent parties, in case they are not paid when due.

NOTE 2.—The Note in Form No. 1 is payable at the office of the payee, while those of Forms Nos. 3 and 5 are payable at the office of the makers. But notes are very commonly made payable at the Banks where their makers keep their Bank Accounts, as in Form No. 7. This Note, although given to Wm. Clark & Co., has been by them indorsed to the Bank where it is made payable. In this case it was given for a valuable consideration, as appears from Tr. 6, of Second Set, and may have been discounted for Clark & Co. by the Bank where it is made payable. At all events, it is paid at maturity, as shown by Tr. 25, of Second Set, and is returned to the makers, properly receipted, as shown in Form No. 8 following.

80. A Check is an order addressed to a bank by a depositor, requesting the payment of money to the bearer, to a person named in the check, or to his order.

NOTE 1.—Checks should be drawn only by persons having money to their credit in account in the bank, and when so drawn they are payable on presentation. This being the case, they are generally given, received, and held, as money.

NOTE 2.—Benefits often result from the use of checks made payable to the order of the payee, for he is required to indorse them before the bank pays them. As the bank returns all checks it pays to their makers, those made payable to the order of a payee named, and indorsed by him, when returned by the bank to their maker become in his hands *receipts* of payment.

NOTE 3.—Persons presenting checks for payment, or for their credit in account at bank, are generally required to indorse them, even when made payable to bearer.

81. A Draft is a written order addressed by one person, firm, or corporation to another, requesting the payment

of a specified sum of money to a party named in the draft, or to his order; but sometimes to the bearer.

NOTE.—The person who makes and signs a Draft is known as its *maker*, or *drawer*. The party to whom the Draft is addressed is the *drawee*. The one to whom it is made payable is the *payee*. An indorsement by a payee to another party, constitutes the latter *indorsee*.

82. An Acceptance is a time Draft *accepted*. Drafts made payable at a certain time after date or sight, are known as *time* Drafts, and should be presented by the payee to the drawee for *acceptance*, which is indicated by the drawee's writing the word "Accepted" across their back or face (usually the latter and in *red ink*), and signing his name, when they are known as Acceptances, and with the drawee and *acceptor* are Bills Payable, the maker virtually becoming indorser. With the *payee* and holder they are Bills Receivable, while with the maker they are neither, but simply give him occasion to make the payee Dr. and the drawee Cr.

NOTE 1.—In case a Draft is made payable a certain number of days "after sight," the acceptance should be dated. When drawn payable on presentation or at sight, *payment* renders a formal acceptance unnecessary. Form No. 11 presents a time draft, indorsed by its maker, as required by its wording, and, when paid at maturity, receipted by the holder, as shown at No. 12.

NOTE 2.—The maker of a Draft sometimes procures its acceptance by the drawee before offering it to the payee. This is especially true of accommodation paper, described in Art. 88.

83. A Bank Draft is a draft drawn by one banking house upon another, and usually upon one in some other city or part of the country, requesting the payment of a specified sum of money to a person named in the draft, or to his order.

NOTE.—Bank Drafts are much employed in the payment of debts owing to persons in other places, without the actual transmission of money. To illustrate: We hold A. H. Hinman's Note, shown in Form No. 1 (Bills Receivable No. 3), which comes due Dec. 3d, with Interest, together amounting to \$281.40, and payable at our office. Anticipating its maturity, Hinman on the 1st day of Dec. procures
B. K.—4.

the Draft shown in Form No. 9, and sends it to us with his indorsement upon it, shown at No. 10, as stated in Tr. 29. When it reaches us we receipt his Note, as shown in Form 2, and return it to him, retaining the Draft, which we use as money.

84. Deposit Checks are slips for the use of depositors in describing the funds offered by them to banks for deposit.

NOTE 1.—The deposit we make in the National Bank Dec. 8th is here shown, including the draft described in Tr. 35. We therefore now indorse the draft as shown in Form No. 10. As the draft had to pass through the mail in reaching us, Hinman's indorsement to us was properly *full*, while our indorsement for deposit in the bank may be *open*, as shown in Form 10.

THE NATIONAL BANK.		
Deposited by		
Ira Mayhew & Co.		
DETROIT, MICH., Dec. 8, 1884.		
Bank Bills	1600	
Specie	268	60
Drafts	281	40
	2150	00

NOTE 2.—Deposit Checks are retained by the bank for its protection as to both the kinds and amount of funds deposited.

85. The Deposit Book is a small book furnished by the bank to the depositor,* in which his deposits are entered by the bank.

* The subject of banks and banking is fully discussed in the author's "University Book-keeping," in which deposit books, check books, and various other forms are shown.

NOTE 1.—The Deposit Book is held by the depositor, and constitutes receipts for his deposits from time to time made.

NOTE 2.—At the end of each month the Deposit Book should be returned to the bank for its entry in it of the Checks which it has paid, which are then returned with the book to the depositor.

86. A Bill of Exchange is another name for a Draft. Such Bills are usually somewhat more formal than drafts, and are generally drawn in duplicate, two together constituting a Set, so that, in case one of a Set is lost the other may be used. The first one of a Set presented is generally paid, when the other becomes void, and is valuable only as a voucher.

NOTE.—Bills of Exchange payable in the same country where drawn are known as Domestic Exchange, while such Bills payable in another country are known as Foreign Exchange.

87. An Indorsement is the writing of one's name on the back of a note, draft, or other written instrument, with or without other words, and is an implied agreement to pay the same in case the principal debtor fails to do so.

NOTE 1.—An *open* indorsement, by writing *one's name only*, as in the second indorsement on Forms 10 and 14, conveys the property of the paper, or the right to it, to any rightful owner having it in possession, as though the paper had been drawn payable to the bearer. Notes and drafts with *open* indorsements should therefore be guarded with care, and ought never to be intrusted to the mails.

NOTE 2.—The payee may sell a note or draft to any one by indorsing it to the order of *that person*, as done in Forms 4, 6, 8, and 10, following. Such indorsements are called *full*, and convey the property of the paper to the *person named* in the indorsement.

NOTE 3.—Any holder of a note or draft with an *open* indorsement may convert it into a *full* or special one by writing the usual limiting words over the indorser's name.

NOTE 4.—The person to whose order a note or draft is made payable, on receiving payment from the maker, should receipt it by writing on it "Paid," or "Received payment," and signing his name, when it has no further value except as a receipt.

88. Accommodation Paper is a term applied to notes and drafts for which one of the parties thereto has

received no consideration, but has lent his name as maker, indorser, or acceptor, to *accommodate* the other, by increasing the security of payment in the hands of a third party. Such paper is made for the purpose of enabling another to borrow money, or for the security of a debt.

NOTE 1.—As between the original parties there has been no consideration, there can be no obligation of payment by the party lending his name. But in the hands of a third party both are bound alike.

NOTE 2.—There is no peculiarity in the form of accommodation paper. The Note in Form No. 7, following, was given for a valuable consideration (Tr. 6), and the makers are therefore bound to pay it at maturity. Should they fail to do so, the holder will look to the indorsers. But the same form might be used as an *accommodation* Note in case either the *makers* or the *indorsers* wanted to raise money for their own use. And so of the Draft, Form No. 11.

NOTE 3.—The drawer might arrange with the drawees and acceptors for the use of their name for the drawer's benefit, with the understanding that he would pay the draft at maturity. In all such cases the party accommodated should take care of such paper at maturity. But in case of his failure to do so, the other party is bound, for his name was lent to make the paper good.

89. Days of Grace are three additional days allowed under the common law for the payment of commercial paper after the time named in the paper for its maturity.

NOTE 1.—By special enactment in some of the states, days of grace are not allowed. In other states, grace is not allowed on notes, drafts, or bills, payable at sight, on demand, or without time. The tendency of the times seems to favor their disallowance altogether. It is considered equitable and just to expect men to meet their promises of payment when and as they agree.

NOTE 2.—Legal holidays are uniformly excepted in the maturity of commercial paper. Where grace is not allowed, paper falling due on a holiday becomes legally due the day following; but where grace is allowed, on the preceding day. In this work, notes and drafts are considered as becoming due and payable at the time named in them for maturity.

NOTE 3.—The word *month* is considered a calendar month, and extends to the same day of the following month. A month from Feb-

ruary 27th extends to March 27th; but a month from February 28th extends to March 31st (the end of the month), except in leap year, when it terminates March 28th.

NOTE 4.—Except in special connection, as just shown, a month is considered as thirty days, and interest is computed on any given number of months as so many twelfths of a year, and on any given number of days as so many thirtieths of a month.

INTRODUCTION TO SECOND SET.

90. Having given the general form of the Day Book in the First Illustrative Set, we present the Transactions of the Second Set in common language for the student to write up in Day Book, Journal, and Ledger form, taking a Trial Balance at the end of the first month (Art. 59), and again at the end of the second month, before closing the books for ascertaining the net result of the business. And that the learner may enter upon his work more satisfactorily, and more readily comprehend its details, we write up the first month's Day Book, Journal, and Ledger for him, and exhibit the principal papers used, that the relations of the several parties to these papers may be better understood.

91. Although the first month's work is here written up and explained, and thus made *illustrative*, the learner will more thoroughly comprehend it by writing it up himself, as though not here done, thus making it for himself an *example for practice*. He may, however, first properly study this work in connection with the explanations here offered; but when he undertakes writing it up himself, he should do so as independently as possible, consulting these explanations only as he would a teacher. When he has thus written up the first month's work in the Day Book and Journal, posted it to the Ledger, taken his Trial Balance, and brought forward his

balances in the Ledger, he may proceed in like manner with the second month's work, and, at its close, again take a Trial Balance, before closing the Ledger (Art. 61) for determining the profits and losses of the business, and its net result as a whole.

92. By examining the Assets and Liabilities at the beginning of the Second Set (pp. 60-61), and referring to Art. 57, relating to opening books, the learner will readily see how our Assets give rise to the first opening entry of the Journal, and our Liabilities to the second. The Bills Receivable on hand, and others that may be received, are entered in the Bill Book, to which the learner is referred for the manner of keeping it. The Bill Payable out against us, and others that may be issued, are likewise recorded in this book. The journalizing of the transactions that follow will generally be readily understood by comparing the Transactions with the entries of the Day Book based upon them, and referring to the principles stated in Art. 54, and to the Arts. therein referred to. In several of the Transactions reference is made to a Sales Book, which ought generally to be kept. But as in this Set the amounts are given, they may be accepted, and the Day Book written up accordingly. The other important references and illustrations being so numerous, the presentation of a Sales Book is deferred until the Third Set.

93. It may seem, from Tr. 6 (Nov. 4), that Real Estate should at once be made Dr. for the improvements made upon it. But the work here done is by *contract*. We therefore debit the contractor for payments made until the work is completed and accepted, Tr. 43 (Dec. 20), when we debit Real Estate for the contract price and credit the contractor. In Tr. 7 (Nov. 4), and other similar ones, it was not necessary to say our Check was on the National Bank, for we had credit in no other, and

a Check without a deposit for its payment would be fraudulent. In Tr. 8 (Nov. 5), it will be seen that John Clarkson, to whom we sell Merchandise, holds two of our Notes (Bills Payable Nos. 1 and 2), shown at Forms Nos. 3 and 5, both indorsed to him and now due, and presented by him for payment. The Notes and Interest therefore cost us the Merchandise we sell and our Check for the balance, hence the Journal entry of this date. In Tr. 12 (Nov. 10), had there been any interval between receiving this Draft and depositing it, there would necessarily have been two entries, first to cover the sale, and then to cover the deposit, but by making the deposit at once, one entry may cover the entire transaction. The Draft received by us Tr. 20 (Nov. 18), is indorsed *to us*, as shown in Forms Nos. 13 and 14, and *by us* in *open* indorsement when deposited in bank. In making our Draft on Frank Goodman, Tr. 23 (Nov. 22), we examine his account and ascertain the amount our due. We draw on him to the order of the National Bank in which we deposit the Draft for our credit in account, Form No. 15.

COMMERCIAL FORMS.

No. 1.—A NOTE ON INTEREST AND NEGOTIABLE.

\$280.00	Detroit, Mich., November 3d, 1884.
Thirty days after date I promise to pay	
Ira Mayhew & Co. or order,	
Two Hundred and Eighty Dollars,	
with interest at 6 per cent, at their office in Detroit.	
Value received,	
A. H. Hinman.	

No. 2.—REVERSE OF No. 1, PAID AND RECEIPTED.

Dec. 3, 1884.
Rec'd payment,
Ira Mayhew & Co.

No. 3.—A NOTE ON INTEREST AND NEGOTIABLE.

\$277.75 *Detroit, Mich., May 5th, 1884.*
Six months after date,
 for value received, *we* promise to pay to the order of
Henry Cook, at our office in Detroit,
Two Hundred Seventy-seven $\frac{75}{100}$ *Dollars,*
 with interest at 6 per cent.
Ira Mayhew & Co.

No. 4.—REVERSE OF No. 3, WITH FULL INDORSEMENT.

Pay to the
order of
John Clarkson.
Henry Cook.
Nov. 5, 1884.
Rec'd payment,
John Clarkson.

No. 5.—A NEGOTIABLE NOTE WITHOUT INTEREST.

\$455.00 Detroit, Mich., Nov. 3d, 1884.

Two days after date,

for value received, we promise to pay to the order of

Newcomb, Endicott & Co., at our office in Detroit,

Four Hundred and Fifty-five Dollars.

Ira Mayhew & Co.

No. 6.—REVERSE OF NO. 5, INDORSED AND RECEIPTED.

Pay to the
order of
John Clarkson.
Newcomb, Endi-
cott & Co.

Nov. 5, 1884.

Rec'd payment,
John Clarkson.

No. 7.—A NEGOTIABLE NOTE PAYABLE AT BANK.

\$200.00 Detroit, Mich., Nov. 4th, 1884.

Twenty days after date,

for value received, we promise to pay to the order of

Wm. Clark & Co., at the National Bank,

Two Hundred Dollars,

with interest at six per cent.

Ira Mayhew & Co.

No. 8.—REVERSE OF No. 7, INDORSED TO BANK AND PAID.

Pay to the order of the National Bank. Wm. Clark & Co. Paid Nov. 24, 1884. The Nat. Bank.
--

No. 9.—A BANK DRAFT IN PAYMENT OF NOTE AND INTEREST.

WORCESTER NATIONAL BANK. \$281.40 Worcester, Mass., Dec. 1, 1884. No. 23784. At sight, without grace, pay to the order of A. H. Hinman Two Hundred and Eighty-one $\frac{40}{100}$ Dollars. John Macomber, Cashier. To Park National Bank, New York.

No. 10.—REVERSE OF No. 9, FULL AND OPEN INDORSEMENTS.

Pay to the order of Ira Mayhew & Co. A. H. Hinman. Ira Mayhew & Co.

No. 11.—TIME DRAFT. BECOMES AN ACCEPTANCE.

\$950.00 *Lo.* Detroit, Mich., *Dec. 6,* 1884.
 _____ *Ten days* _____ after date pay to the order of
 _____ *myself* _____ at the National Bank,
Nine Hundred and Fifty _____ Dollars,
 in full of account to date.
Accepted,
Ira Mayhew
James Thompson.
 To *Ira Mayhew & Co., Detroit.*

No. 12.—REVERSE OF NO. 11, INDORSED AND PAID.

Jas. Thompson.
Paid Dec. 16, 1884.
The Nat. Bank.

No. 13.—A BANK DRAFT PAYABLE TO ORDER.

COLUMBUS NATIONAL BANK.
 \$1500.00 Columbus, Ohio, *Nov. 17, 1884.* *No. 17284.*
 Pay to the order of _____ *Martin Coatsworth* _____
One Thousand Five Hundred _____ Dollars.
A. H. Steadman, Cashier.
 To *Park National Bank, New York.*

No. 14.—REVERSE OF No. 13, INDORSED TO US AND BY US.

Pay to the order of Ira Mayhew & Co. H. Coatsworth. Ira Mayhew & Co.
--

No. 15.—A PERSONAL DRAFT PAYABLE AT BANK.

\$244.95	Detroit, Mich., Nov. 22, 1884.
At sight.....pay to the	
order of.....National Bank	
Two Hundred and Forty-four $\frac{95}{100}$ Dollars	
and charge the same to the account of	
Ira Mayhew & Co.	
To Frank Goodman, Nashville, Tenn.	

TRANSACTIONS OF SECOND SET.

November 1st, 1884.

RESOURCES.—Ira Mayhew & Co.* commence business with \$2500 to their credit in account in the National Bank; Cash in safe \$240; Merchandise in store, worth

*The learner may consider this work his, even though he uses the name *Ira Mayhew & Co.* He may use *his own name & Co.* instead of that here employed, in case he prefers to do so.

per Inventory, \$3440.50; two Notes, No. 1 against John Otis for \$200, and No. 2 against Hiram Smith for \$160; and Brown & Smith owe us \$210.40 on account.

LIABILITIES.—We owe Note No. 1, favor of Henry Cook for \$277.75; and Frank Goodman \$415.75 on account.

Trans. 1. We sell Wm. Brown Merchandise per Sales Book, amount \$420. Receive in payment \$150 in Cash, balance on account.

Tr. 2. Receive from Henry Brownell the Draft of Frank Goodman on us for \$240. Give in payment Merchandise per Sales Book, amount \$175, paying the balance in Cash.

November 3d, 1884.

Tr. 3. Sell to A. H. Hinman Merchandise per Sales Book, amount \$540. Receive in payment \$260 in Cash, and his Note, No. 3, at 30 days for the balance of his purchase.

Tr. 4. Buy of Newcomb, Endicott & Co. an Invoice of Merchandise amounting to \$840. Give in payment Bills Receivable Nos. 1 and 2 with Interest on same at 6 per cent from date (see Bill Book), and our Note No. 2 for balance of purchase.

Tr. 5. Buy of Brown & Smith three Village Lots, Nos. 6, 8, and 10, for \$1650, paying them \$100 in Cash, and \$300 in Merchandise: balance on account.

November 4th, 1884.

Tr. 6. We contract with Wm. Clark & Co. to build us a Cottage on Lot No. 8 for \$1475. We are to pay them as the work progresses, according to agreement. We advance them \$80 in Cash, and our Note No. 3 for \$200, payable in twenty days, with interest at 6 per cent.

Tr. 7. We buy an Invoice of Merchandise amounting to \$1860. Give in payment Village Lot No. 10 for \$650, and our Check on National Bank for balance of purchase.

November 5th, 1884.

Tr. 8. Sell John Clarkson Merchandise per Sales Book \$255.50, and give him our Check on National Bank for \$485.58 to take up Bills Payable Nos. 1 and 2, indorsed in his favor, with Interest on No. 1 at 6 per cent from date. See Bill Book.

Tr. 9. Have rented a Stone Flouring Mill with fixtures, together worth \$15000, at an annual rental of 6 per cent of its present value, and pay two months rent by Check on the National Bank. We open and keep an account with this branch of our business in the name of Stone Mill.

November 8th, 1884.

Tr. 10. Buy for Stone Mill 2600 Bushels White Wheat, at \$1 per Bushel. Give in payment our Check on National Bank for \$400, and our Note for balance, at 6 per cent Interest, payable in twenty days.

November 10th, 1884.

Tr. 11. Buy of Wm. Brown 1100 Bushels of White Wheat, for Stone Mill, at \$1 per Bushel, giving him Merchandise per Sales Book, amount \$850, and credit in account for balance of purchase.

Tr. 12. Sell to John Brown & Co., from the Stone Mill, 540 Bbls. Extra Flour at \$6 per Bbl. Receive in payment a Draft on New York for \$3000, indorsed to us, which we deposit to our credit in account in the National Bank (Art. 93), and the balance in Cash.

November 12th, 1884.

Tr. 13. The Order of Wm. Clark & Co. is presented to us for \$275, which we pay in Merchandise, charging them therefor in account.

Tr. 14. Sell Frank Goodman 30 Bbls. Extra Flour from Stone Mill at \$6 per Bbl., and Merchandise, per Sales Book, amount \$240: balance of account subject to Sight Draft in ten days. (See *Tr. 23, Nov. 22.*)

November 14th, 1884.

Tr. 15. Buy for Stone Mill 1920 Bushels White Wheat at \$1 per Bush. Give in payment Merchandise per Sales Book, amount \$1500, and our Check on National Bank for the balance.

Tr. 16. Sell Wm. Brown, on ten days time, Merchandise per Sales Book, amount \$875, and 170 Bbls. Flour from Stone Mill, at \$5 per Bbl.

November 17th, 1884.

Tr. 17. Pay Wm. Clark & Co.'s Orders on us, in favor of sundry parties named therein, for \$240 worth of Merchandise, and for \$270 worth of Flour and Feed from Stone Mill, per Sales Book.

Tr. 18. Sell Brown & Smith on account, Merchandise per Sales Book, amount \$75, and 15 Bbls. Extra Flour from Stone Mill, at \$6 per Bbl.

November 18th, 1884.

Tr. 19. Buy of Timothy Underwood 1400 Bush. Wheat for Stone Mill, at \$1 per Bush. Give in payment Mer-

chandise, per Sales Book, amount \$950, and our Check on National Bank.

Tr. 20. Sell Martin Coatsworth, of Columbus, O., 250 Bbls. Extra Flour from Stone Mill, at \$6 per Bbl. Receive in payment the Draft of the Columbus National Bank on the Park National Bank of New York, indorsed in our favor. (See Forms Nos. 13 and 14.)

November 20th, 1884.

Tr. 21. Deposit to our credit in National Bank the Draft received the 18th inst. (*Tr. 20*), and \$500 in Currency.

Tr. 22. Buy 500 Bush. Wheat for Stone Mill, at 90c. per Bush., and an Invoice of Merchandise, amount \$490. Pay for both by Check on National Bank.

November 22d, 1884.

Tr. 23. Make our Draft on Frank Goodman for the balance of account in our favor (*Tr. 14*), and deposit the Draft and \$200 in Cash to our credit in the National Bank.

Tr. 24. Receive and pay the Order of Brown & Smith on us in favor of Geo. Goodhue for \$155, in 16 Bbls. Flour from Stone Mill, at \$5 per Bbl., and balance in Merchandise per Sales Book.

November 24th, 1884.

Tr. 25. Pay our Note No. 3, given Nov. 4th (*Tr. 6*), with Interest at 6 per cent, and this day due, by our Check on National Bank, receiving the note, receipted as shown in Form No. 8.

Tr. 26. Receive from Wm. Brown his Check on National Bank in full payment of his account to date.

November 26th, 1884.

Tr. 27. We sell John C. Johnson, of Cincinnati, Merchandise per Sales Book, amount \$225, and 320 Bbls. Flour from Stone Mill, at \$5 per Bbl. Receive in payment his Check on City Bank for \$1000, and currency for the balance.

November 28th, 1884.

Tr. 28. Pay our Note No. 4, given Nov. 8th (*Tr. 10*), with Interest at 6 per cent, and this day due, by our Check on National Bank.

94. At the end of the month, having written up his Day Book, Journal, and Ledger to this date, the learner should take a Trial Balance before proceeding further. We therefore here present the Trial Balance taken at this time, that he may compare his with it, and see if they agree, and in case they in any way disagree, ascertain the cause and correct his work, as shall be necessary.

TRIAL BALANCE.

Dr.

November 30th, 1884.

Cr.

Amounts.	Balances.	Accounts.	L. F.	Balances.	Amounts.
693 50		Stock	88	6057 40	6750 90
7944 25	1480 67	National Bank	88		6463 58
5960	3515	Cash	89		2445
640	280	Bills Receivable	89		360
530 40		Brown & Smith	90	719 60	1250
16 33		Interest	90	8 67	25
1650	1000	Real Estate	90		650
1065	1065	Wm. Clark & Co.	91		
7620		Stone Mill	91	190	7810
960		Merchandise	91	365	1325
27079 48	7340 67			7340 67	27079 48

95. The nature of the Trial Balance has been explained in Art. 59. In the above Trial Balance, for November, only such accounts are entered as were open Nov. 30th. The accounts with Bills Payable, Frank Goodman and Wm. Brown have been settled. Both sides of each being equal, they need not and do not appear in the Trial Balance; for none of them have a balance. The *balances*, only, are sufficient for a Trial Balance, but it is often convenient to have the *amounts* entered, which give these balances. The balances of the student's Trial Balance should agree with these, though the amounts may be different. The Merchandise account has here been kept on two pages. When the space first allotted to it was filled, and the account carried forward, only the *balance* was carried forward; the amounts of the Trial Balance for this account thus include only this balance and the entries made to this account after the balance was carried forward. The amounts, in this case, are less than the whole amounts, bought and sold, by the sum of the credit entries before the account was carried forward, and would have been different, had the account been carried forward under any other date.* The footings of the columns of amounts of the Trial Balance should agree with each other, but they may be different from those here given; while the balances should agree with those here given, and their footings should agree with each other and with these.

*In case it is desired to make this account show the entire *debits* and *credits* of Merchandise bought and sold, the *amounts* of both sides should be carried forward, instead of the balance, as here done.

TRANSACTIONS CONTINUED.

December 3d, 1884.

Tr. 29. Receive from A. H. Hinman the Draft of the Worcester National Bank on the Park Nat. Bank of New York for \$281.40; indorsed by him in our favor (Forms Nos. 9 and 10), in payment of his Note, No. 3, of Nov. 3, and Interest (*Tr. 3*). We return the Note to him properly indorsed (Forms Nos. 1 and 2).

Tr. 30. We buy 25 shares of Hecla Mining Stock, at \$50 per share. We give in payment Village Lot No. 6 (*Tr. 5*) for \$700, and our Check for the remainder. We keep an account with this enterprise under the name Hecla Mine.

December 4th, 1884.

Tr. 31. We buy of Jno. Wheatgrower 222 Bush. of Wheat for Stone Mill, at \$1, giving in payment 3 shares of Hecla Mining Stock (*Tr. 30*), at \$60 a share, and Cash for the remainder.

Tr. 32. We pay in cash an assessment of \$15 a share on the 25 shares of Mining Stock bought Dec. 3d. (*Tr. 30*.)

December 6th, 1884.

Tr. 33. We purchase of James Thompson for the Stone Mill 1000 Bushels of White Wheat, at 95c. per Bush., in payment for which we accept his Draft on us for the amount, payable to his order at the National Bank, ten days from date. (See Forms Nos. 11 and 12.)

Tr. 34. Wm. White buys of us 10 Shares of Mining Stock, at \$70 per Share, giving us in payment 370 Bushels White Wheat for Stone Mill, at \$1 per Bush., and his

Note at 30 days, made payable to the order of Wm. Smith and indorsed by him.

December 8th, 1884.

Tr. 35. We deposit \$2150 of Cash; including Draft (Tr. 29), in the National Bank.

Tr. 36. We buy of Samuel Smithfield an Invoice of Mdse., amount \$1540. Give in payment 152 Bbls. Flour from Stone Mill at \$5 per Bbl., and our Check for balance of Invoice.

December 10th, 1884.

Tr. 37. We pay a Freight Bill on Mdse. received to date, by our check for \$17.60, and Cash for other items of Expense to date, together amounting to \$12.40.

Tr. 38. Brown & Smith buy of us 10 Shares of Mining Stock, at \$60 per Share, and 19 Bbls. Flour from Stone Mill, at \$5 per Bbl. We settle our account and pay in Cash the balance their due.

December 13th, 1884.

Tr. 39. Sell Wm. Brown Mdse., amount \$270 per Sales Book, 65 Bbls. Extra Flour from Stone Mill, at \$6 per Bbl., and our remaining 2 Shares of Mining Stock for \$55 a Share. Receive in payment \$240 in Cash; balance on account.

Tr. 40. Deposit \$1260 to our credit in account in the National Bank.

December 16th, 1884.

Tr. 41. We pay our Acceptance of Dec. 6 (Tr. 33) by our Check on the National Bank.

Tr. 42. We fill Frank Goodman's order for 19 Bbls. Flour from Stone Mill, at \$5 per Bbl., and Mdse. per S. B., amount \$420.

December 20th, 1884.

Tr. 43. Wm. Clark & Co. have fulfilled their contract for building a Cottage, entered into Nov. 4th (*Tr. 6*). Accepting the work and receiving the keys, we give them credit for the contract price. We settle, and pay them the amount their due by Check on Nat. Bank.

December 22d, 1884.

Tr. 44. We pay 2 months' Store Rent, at \$125 per mo., by Check; and for Clerk hire, Stationery, and Postage to date, \$255 in Cash.

December 27th, 1884.

Tr. 45. Receive from Brown & Smith on account Draft on New York for \$840.

Tr. 46. Fill the order of Brown & Smith for Mdse. per Sales Book, amount \$450, and for 76 Bbls. Flour from Stone Mill, at \$5 per Bbl.

ABSTRACT OF INVENTORY.

Taken December 31st, 1884.

Real Estate, House and Lot worth	\$2800.	
Merchandise, Per Inventory Book	934.93	
Stone Mill, Flour and Feed worth	412.	\$3946.93

96. With the transactions of another month written up in Day Book, Journal, and Ledger, the learner will again take a Trial Balance, under date of December 31st, 1884, as done for November at the 65th page, which

should agree with that here given. After taking this Trial Balance, and examining the Inventory of property on hand, unsold, belonging to the business, as stated above, the interesting problems for consideration will be to determine the following particulars:

1st. What have been the *Gains* of the business? and what accounts indicate them?

2d. What have been the *Losses* of the business? and what accounts indicate them?

3d. What has been the *Net Result* of the business?

4th. What is the amount of our *Net Stock* on closing?

5th. What is the amount of our *Resources* on closing? and of what do they consist?

6th. What is the amount of our *Liabilities* on closing? and of what do they consist?

The answers to these questions for *this* Set (or for any other Set) may be determined by the process known as closing the Ledger (Arts. 61 to 64), which we shall consider and apply to this Set, and which it is of the utmost importance the learner should carefully study until he becomes so familiar with the various steps taken, and the reasons for them, that he can apply the principles involved as he may have occasion, in theoretical or practical work.

97. The problem before us for solution now is,—With this Trial Balance and Inventory, how shall we eliminate the *gains* and *losses* from the Speculative Accounts of the business, and obtain final Ledger Balances correctly representing our Resources and Liabilities, so as to give satisfactory and reliable answers to the six questions raised in Art. 96? Preparatory to its consideration, let us note what has been said of the Classification of Accounts, Arts. 9 to 17, and under the First Classification state, 1st. The accounts of the Trial Balance that are Personal. *Ans.* Brown & Smith, Frank Goodman,

TRIAL BALANCE.

Dr.

December 31st, 1884.

Cr.

Amounts.	Balances.	Accounts.	L. F.	Balances.	Amounts.
		Stock		6057 40	6057 40
610	330	Bills Receivable			280
1549 60		Brown & Smith		10	1559 60
515	515	Frank Goodman			
530	530	Wm. Brown			
		Interest		10 07	10 07
2475	1775	Real Estate			700
1540	35	Merchandise			1505
1625	35	Hecla Mine			1590
4890 67	1933 07	National Bank			2957 60
1542		Stone Mill		368	1910
535	535	Expense			
4876 40	757 40	Cash			4119
20688 67	6445 47			6445 47	20688 67

Wm. Brown, and National Bank. State, 2d. The accounts that are Real. *Ans.* Bills Receivable, Real Estate, Merchandise, Hecla Mine, Stone Mill, and Cash. State, 3d. The accounts that are Imaginary. *Ans.* Stock, Interest, and Expense. Under the Second Classification state, 1st. The accounts of the Trial Balance that are Speculative. *Ans.* Interest, Real Estate, Merchandise, Hecla Mine, Stone Mill, and Expense. State, 2d. The accounts that are Non-speculative. *Ans.* Stock, Bills Receivable, Brown & Smith, Frank Goodman, Wm. Brown, National Bank, and Cash.

NOTE.—We can not become too familiar with these exercises, for much depends on their thorough mastery.

98. Now take each account of the Trial Balance and name its place in BOTH of the two Classifications, thus: Stock, Imaginary, and Non-speculative; Bills Receivable and Cash, each Real and Non-speculative; Brown & Smith, Frank Goodman, Wm. Brown, and National Bank, each Personal and Non-speculative; Interest and Ex-

pense, each Imaginary and Speculative; Real Estate, Merchandise, Hecla Mine, and Stone Mill, each Real and Speculative. Readiness in these and like exercises will enable the learner better to understand his work as he advances.

99. Let us interpret this Trial Balance and see what it teaches. The Cr. balance to Stock indicates the *net capital* with which we began business. The Dr. balance to Bills Receivable shows the amount of bills we hold. The Cr. balance to Brown & Smith's account shows how much we owe them. The Dr. balances to Frank Goodman and Wm. Brown's accounts show how much they owe us. So far we have seen nothing that indicates either *profit* or *loss*. But the Cr. balance to Interest shows a *gain*. Real Estate, Merchandise, and Hecla Mine Accounts have, each, a Dr. balance. Do these balances indicate *gain*? No. Do they show *loss*? Not certainly. Well then, what do they show? Simply this; that each has *cost* us more than it has *returned* to us, by the amount of its Dr. balance. Does not this, then, show *loss*? No, the evidence is not all in. There are *Inventories* belonging to some of these, which must be taken into account before we can determine, with certainty, whether they indicate *profit* or *loss*. These we will presently consider. The Dr. balance to National Bank shows the amount we have remaining to our credit in bank. The Cr. balance to Stone Mill shows that it has brought us more than it has cost us, and has hence been a source of *profit* to the amount of this balance, aside from any Inventory belonging to it. The Dr. balance to Expense shows a *loss*. The Dr. balance to Cash shows the amount of Cash on hand.

100. From Art. 99, we see there are six Speculative accounts of the Trial Balance that indicate *profit* or *loss*. In gathering the measures of profits and losses from

these accounts, severally, it will be convenient to enter the gains to the Cr. side of Profit and Loss, and the losses to the Dr. side of this account. And when we determine the *net gain*, we shall want to transfer it to the Stock Account. In closing, we shall therefore need to use the six Speculative Accounts that indicate profit or loss, a Profit and Loss Account, and the Stock Account, making eight accounts in all, which are shown on the next page in *Skeleton Ledger* form, with the balances of the Trial Balance belonging to them severally. Apart from these balances we enter to the *credit* of each account having an Inventory, its value in *red ink* (indicating *balances on hand* to be brought down). With the *balances* and Inventories entered, as indicated, we are prepared to find the *profits* and *losses* that have arisen in the business, and to determine its *net result*.

101. Looking at this *Skeleton Ledger*, we see Stock is *not* Speculative. It simply represents the *net capital* put into the business, belonging to the different accounts, some of which are speculative, while others are not. All of the other accounts are Speculative, except Profit and Loss, whose office it is to *receive* and temporarily *hold* the measures (or amounts) of both *profit* and *loss* shown by the Speculative accounts, until the *net result* of the business as a whole is determined; which net result is then transferred to the Stock Account, as stated in Arts. 61 to 64. The Cr. balance to Interest shows a *gain*. The *excess* of the Inventory to Real Estate over the Dr. balance (now making a Cr. balance) shows a *gain*. The same is true of Merchandise; while to the Cr. balance of the Stone Mill Account we *add* the Inventory for the *gain*. These four accounts may be closed into Profit and Loss, as stated in Art. 63, and as shown in the *first* of the following Journal entries. The Hecla Mine Account, having a Dr. balance and no Inventory, shows a *loss*,

SKELETON LEDGER.

Dr.	STOCK	Cr.	Dr.	HECLA MINE	Cr.
	8002.40	6057.40	35.	35.	
		1945.			
	8002.40	8002.40			
		8002.40			
Dr.	INTEREST	Cr.	Dr.	STONE MILL	Cr.
10.07	10.07		780.	368.	
				412.	
			780.	780.	
			412.		
Dr.	REAL ESTATE	Cr.	Dr.	EXPENSE	Cr.
1775.	2600.		535.	535.	
825.					
2600.	2600.				
2600.					
Dr.	MERCHANDISE	Cr.	Dr.	PROFIT AND LOSS	Cr.
35.	934.93		570.	2515.	
899.93			1945.		
934.93	934.93		2515.	2515.	
934.93					

and the same is true of Expense, both of which close into Profit and Loss, as stated in Art. 64, and as shown in the *second* of the closing Journal entries. Finally, the *third* Journal entry closes the *net gain* of the business to the Stock Account.

CLOSING JOURNAL ENTRIES.

December 31, 1884.

Interest	Dr.	10 07	
Real Estate		825	
Merchandise		899 93	
Stone Mill		780	
	To Profit and Loss		2515
	"		
Profit and Loss	Dr.	570	
	To Hecla Mine		35
	" Expense		535
	"		
Profit and Loss	Dr.	1945	
	To Stock		1945

Instead of the above *three* Journal entries for closing, *one* might have sufficed, as is explained in Arts. 65 and 104, and as shown below :

Interest	Dr.	10 07	
Real Estate		825	
Merchandise		899 93	
Stone Mill		780	
	To Hecla Mine		35
	" Expense		535
	" Stock		1945

102. Posting the *first* of these closing Journal entries to the *Skeleton Ledger*, balances the Interest, Real Estate, Merchandise, and Stone Mill Accounts by withdrawing from each of these Speculative Accounts the *measure of gain* to which it has given rise, and placing the amount

of the whole to the *credit* of Profit and Loss. Three of these accounts have Inventories belonging to them, which are brought down as Dr. balances. Posting the *second* of these closing Journal entries balances the Hecla Mine and Expense Accounts, by covering the *measures of loss* to which they have given rise, and placing the amount of the whole to the *debit* of Profit and Loss. The Cr. side of the Profit and Loss Account now shows the *whole gain* of the business, and the Dr. side of this account shows the *whole loss* of the business. The difference of the two sides will manifestly be the *net gain* of the business. Posting the *third* closing entry balances the Profit and Loss Account, and transfers this *net gain* to the Cr. side of the Stock Account.

NOTE.—Observe these particulars of the Stock Account: Its Cr. balance, as seen in the Trial Balance, represents the *net capital* invested in the business; the balance of the Profit and Loss Account, carried to Stock, represents the *net gain* of the business; while the balance *brought down* (the original *net stock* and the *net gain* together) constitutes the *net capital* at this stage of the business.

103. The skeleton Ledger here introduced has been employed in order to show more clearly the processes of closing. With the Inventories entered in *red ink* to the same accounts in the regular Ledger, and the Journal entry for closing regularly posted to this Ledger, the result would be the same. In either case, the balances now taken together constitute the Ledger Balances (Art. 67) on closing the business, or on determining the *net result* to this date. These balances consist of the Non-speculative Accounts of the Trial Balance not used in closing the Ledger, with their balances on the same side and unchanged, together with Stock as changed, and the Inventories of the Speculative Accounts, brought forward as balances, as here shown. The Speculative Accounts having no Inventories are all closed.

BILL BOOK.

2d Set.

BILLS RECEIVABLE

No.	Date.	Promisor.	Indorser.	In Whose Favor.	
1	1883. June 3	John Otis	H. Allen	Ira Mayhew & Co.	
2	1884. Jan. 3	Hiram Smith		do.	do.
3	Nov. 3	A. H. Hinman		do.	do.
4	Dec. 6	Wm. White	Wm. Smith	do.	do.

BILLS PAYABLE

No.	Date.	Promisor.	Indorser.	In Whose Favor.	
1	1884. May 5	Ira Mayhew & Co.		Henry Cook	
2	Nov. 3	do. do.		Newcomb, E. & Co.	
3	Nov. 4	do. do.		Wm. Clark & Co.	
4	Nov. 8	do. do.		O. Wheaton	
5	Dec. 6	do. do.	Jas. Thompson	Jas. Thompson	

105. The entries of the Bill Book, except those at the right, under the head of Remarks, should be made whenever Bills Receivable, whether Notes or Acceptances, come into our hands, and whenever our own Bills Payable are given to others. We thus have a complete record of all bills we handle, separate from the bills themselves. Then, by consulting this book, we can see what Bills Receivable we at any time hold, and when they become due, while our bills remain secure in the safe. The space under the head of Remarks should be filled as bills are paid or disposed of.

2d Set.

BILL BOOK.

BILLS RECEIVABLE.

Where Payable.	Time.	When Due.	Amount.	Remarks.
		1884.		
Nat. Bank	18 mos.	Dec. 3	200	Sold to N., E. & Co. }
do. do.	11 mos.	Dec. 3	160	Nov. 3, 1884. }
Our Office	30 days	Dec. 3	280	Paid Dec. 3/84. }
		1885.		
Nat. Bank	30 days	Jan. 6	330	

BILLS PAYABLE.

Where Payable.	Time.	When Due.	Amount.	Remarks.
		1884.		
Our Office	6 mos.	Nov. 5	277 75	Pd. Nov. 5/84.
do. do.	2 days	Nov. 5	455	Pd. Nov. 5/84.
Nat. Bank	20 days	Nov. 24	200	Pd. Nov. 24/84.
do. do.	20 days	Nov. 28	2200	Pd. Nov. 28/84.
do. do.	10 days	Dec. 16	950	Pd. at Maturity.

106. The headings of Bill Books may differ from these, giving such particulars as persons keeping them desire relating to their bills. In case of Bills Receivable, we can ascertain particulars of our bills without examining them. And in case of Bills Payable, the Bill Book is our only means of information after such bills have been issued, for the bills themselves are in the hands of *other parties*. Still, every business man should know when such bills become due, their amount, and where they are payable. The Bill Book is even more important for Bills Payable than for Bills Receivable.

DAY BOOK.

2d Set.

November 1, 1884.

Ira Mayhew & Co. begin business with the following Resources:				
On Deposit in National Bank		2500		
Cash in safe		240		
Merchandise per Inventory		3440	50	
John Otis' Note, No 1	\$200			
H. Smith's Note, No. 2	160	360		
Brown & Smith owe us on acct.		210	40	6750 90
" --				
We owe as follows:				
Our Note No. 1, fav. Henry Cook		277	75	
Frank Goodman on acct.		415	75	693 50
" --				
Sell Wm. Brown Mdse. S. B.				420
Receive Cash		150		
Balance on acct.		270		
" --				
Pay Frank Goodman's Draft on us Merchandise S. B.				240
Cash		175		
		65		
Nov. 3.				
Sell A. H. Hinman Mdse. S. B.				540
Receive Cash		260		
Hinman's Note No. 3		280		
" --				
Buy Mdse. of N. E. & Co.				840
Give Bills Rec. Nos. 1 and 2	Inv. 1	360		
Interest on same		25		
Our Note No. 2		455		
" --				
Buy of Brown & Smith				1650
3 Village Lots, Nos. 6, 8, and 10				
Pay in Cash		100		
Merchandise S. B.		300		
Balance on acct.		1250		

2d Set.

DAY BOOK.

November 4, 1884.

Pay Wm. Clark & Co. on contract		280
Cash	80	
Our Note, No. 3	200	
"		
Buy Mdse.	Inv. 2	1860
Give Village Lot No. 10	650	
Check on Nat. Bank	1210	
Nov. 5.		
Pay Bills Pay. Nos. 1 and 2	732 75	
Interest on No. 1	8 33	741 08
Give Merchandise S. B.	255 50	
Check on Nat. Bank	485 58	
"		
Pay Rent of Stone Mill 2 mos.		150
By Check on Nat. Bank		
Nov. 8.		
Buy for Stone Mill		
2600 Bu. White Wheat	@ \$1	2600
Give Check on Nat. Bank	400	
Our Note, B. P. No. 4	2200	
Nov. 10.		
Buy of Wm. Brown		
1100 Bu. White Wheat	@ \$1	1100
Pay Merchandise S. B.	850	
Balance on acct.	250	
"		
Sell Jno. Brown & Co.		
540 Bbls. Ex. Flour	@ \$6	3240
Receive and deposit Draft	3000	
Balance in Cash	240	
Nov. 12.		
Pay Wm. Clark & Co.'s Order in Mdse.		275

DAY BOOK.

2d Set.

November 12, 1884.

Sell Frank Goodman, acct. 10 days			420
30 Bbls. Ex. Flour	@ \$6	180	
Merchandise S. B.		240	
Nov. 14.			
Buy 1920 Bu. White Wheat	@ \$1		1920
Pay Merchandise S. B.		1500	
Check on Nat. Bank		420	
"			
Sell Wm. Brown, acct. 10 days			1725
Merchandise S. B.		875	
170 Bbls. Flour	@ \$5	850	
Nov. 17.			
Pay Wm. Clark & Co.'s Orders			510
Merchandise S. B.		240	
Flour and Feed S. B.		270	
"			
Sell Brown & Smith			165
Merchandise S. B.		75	
15 Bbls. Extra Flour	@ \$6	90	
Nov. 18.			
Buy 1400 Bu. Wheat	@ \$1		1400
Pay Merchandise S. B.		950	
Check on Nat. Bank		450	
"			
Sell M. Coatsworth for Cash			1500
250 Bbls. Ex. Flour	@ \$6		
Nov. 20.			
Deposit in Nat. Bank Cash			2000

2d Set.

DAY BOOK.

November 20, 1884.

Buy 500 Bu. Wheat Merchandise Give Ck. on Nat. Bank	@ 90c. Inv. 3	450 490	940
Nov. 22.			
Deposit in Nat. Bank Our Dft. on Frank Goodman Cash		244 25 200	444 25
"			
Pay Brown & Smith's Order By 16 Bbls. Flour Merchandise S. B.	@ \$5	80 75	155
Nov. 24.			
Pay Bill Pay. No. 3 Interest on same By Ck. on Nat. Bank		200 67	200 67
"			
Receive from Wm. Brown Ck.			1745
Nov. 26.			
Sell Jno. C. Johnson, Cincinnati Merchandise S. B. 320 Bbls. Flour Receive Ck. \$1000 and Cash \$825	@ \$5	225 1600	1825
Nov. 28.			
Pay Bill Pay. No. 4 Interest on same By Ck. on Nat. Bank		2200 7 33	2207 33

JOURNAL

2d Set.

November 1, 1884.

88	National Bank	Dr.	2500	
89	Cash		240	
88	Merchandise		3440	50
89	Bills Receivable		360	
90	Brown & Smith		210	40
88		To Stock		6750 90
"				
88	Stock	Dr.	693	50
89		To Bills Payable		277 75
89		" Frank Goodman		415 75
"				
89	Cash	Dr.	150	
90	Wm. Brown		270	
88		To Merchandise		420
"				
89	Frank Goodman	Dr.	240	
88		To Merchandise		175
89		" Cash		65
Nov. 3.				
89	Cash	Dr.	260	
89	Bills Receivable		280	
88		To Merchandise		540
"				
88	Merchandise	Dr.	840	
89		To Bills Receivable		360
90		" Interest		25
89		" Bills Payable		455
"				
90	Real Estate	Dr.	1650	
89		To Cash		100
88		" Merchandise		300
90		" Brown & Smith		1250

2d Set.

JOURNAL.

November 4, 1884.

91	Wm. Clark & Co.	Dr.	280	
89		To Cash		80
89		" Bills Payable		200
		"		
88	Merchandise	Dr.	1860	
90		To Real Estate		650
88		" Nat. Bank		1210
		Nov. 5.		
89	Bills Payable	Dr.	732 75	
90	Interest		8 33	
88		To Merchandise		255 50
88		" Nat. Bank		485 58
		"		
91	Stone Mill	Dr.	150	
88		To Nat. Bank		150
		Nov. 8.		
91	Stone Mill	Dr.	2600	
88		To Nat. Bank		400
89		" Bills Payable		2200
		Nov. 10.		
91	Stone Mill	Dr.	1100	
88		To Merchandise		850
90		" Wm. Brown		250
		"		
88	National Bank	Dr.	3000	
89	Cash		240	
91		To Stone Mill		3240
		Nov. 12.		
91	Wm. Clark & Co.	Dr.	275	
88		To Merchandise		275

JOURNAL.

2d Set.

November 12, 1884.

89	Frank Goodman	Dr.		420	
91		To Stone Mill			180
88		" Merchandise			240
----- Nov. 14. -----					
91	Stone Mill	Dr.		1920	
88		To Merchandise			1500
88		" Nat. Bank			420
----- " -----					
90	Wm. Brown	Dr.		1725	
88		To Merchandise			875
91		" Stone Mill			850
----- Nov. 17. -----					
91	Wm. Clark & Co.	Dr.		510	
88		To Merchandise			240
91		" Stone Mill			270
----- " -----					
90	Brown & Smith	Dr.		165	
91		To Merchandise			75
91		" Stone Mill			90
----- Nov. 18. -----					
91	Stone Mill	Dr.		1400	
91		To Merchandise			950
88		" Nat. Bank			450
----- " -----					
89	Cash	Dr.		1500	
91		To Stone Mill			1500
----- Nov. 20. -----					
88	National Bank	Dr.		2000	
89		To Cash			2000

2d Set.

JOURNAL.

November 20, 1884.

91	Stone Mill	Dr.	450		
91	Merchandise		490		
88		To Nat. Bank			940
Nov. 22.					
88	Nat. Bank	Dr.	444	25	
89		To Frank Goodman			244
89		" Cash			200
"					
90	Brown & Smith	Dr.	155		
91		To Stone Mill			80
91		" Merchandise			75
Nov. 24.					
89	Bills Payable	Dr.	200		
90	Interest			67	
88		To Nat. Bank			200
"					
89	Cash	Dr.	1745		
90		To Wm. Brown			1745
Nov. 26.					
89	Cash	Dr.	1825		
91		To Merchandise			225
91		" Stone Mill			1600
Nov. 28.					
89	Bills Payable	Dr.	2200		
90	Interest			7 33	
88		To Nat. Bank			2207

LEDGER.

2d Set.

Dr.		STOCK		Cr.			
1894.				1894.			
Nov.	1	To Sunds.	84 693 50	Nov.	1	By Sunds.	84 6750 90
"	30	" Balance	6057 40				6750 90
			6750 90				
				1894.			
				Dec.	1	By Balance	6057 40

Dr.		NATIONAL BANK		Cr.			
1894.				1894.			
Nov.	1 To Stock	84	2500	Nov.	4 By Mdse.	85	1210
"	10 " Draft	85	3000	"	5 " Sunds.	85	485 58
"	20 " Cash	86	2000	"	5 " Stone Mill	85	150
"	22 " Sunds.	87	444 25	"	8 " do.	85	400
				"	14 " do.	86	420
				"	18 " do.	86	450
				"	20 " Sunds.	87	940
				"	24 " do.	87	200 67
				"	28 " do.	87	2207 33
				"	30 " Balance		1480 67
			7944 25				7944 25
1894.				1894.			
Dec.	1 To Balance		1480 67				

Dr.		MERCHANDISE		Cr.		
1894.				1894.		
Nov.	1 To Stock	84	3440 50	Nov.	1 By Sunds.	84 420
"	3 " Sunds.	84	840	"	1 " F. Goodman	84 175
"	4 " do.	85	1860	"	3 " Sunds.	84 540
				"	3 " Real Estate	84 300
				"	5 " Sunds.	85 255 50
				"	10 " Stone Mill	85 850
				"	12 " Clark & Co.	85 275
				"	12 " F. Goodman	86 240
				"	14 " Stone Mill	86 1500
				"	14 " W. Brown	86 875
				"	17 " Clark & Co.	86 240
				"	17 " Balance p. 91	470
		6140	50			6140 50

2d Set.

LEDGER.

Dr.		CASH		Cr.			
1894.				1894.			
Nov.	1 To Stock	84	240	Nov.	1 By F. Goodman	84	65
"	1 " Mdse.	84	150	"	3 " Real Estate	84	100
"	3 " do.	84	260	"	4 " Clark & Co.	85	80
"	10 " Stone Mill	85	240	"	20 " Nat. Bank	86	2000
"	18 " do.	86	1500	"	22 " do.	87	200
"	24 " W. Brown	87	1745	"	30 " Balance		3515
"	26 " Sunds.	87	1825				5960
			5960				
1894.							
Dec.	1 To Balance		3515				

Dr.		BILLS RECEIVABLE		Cr.			
1894.				1894.			
Nov.	1 To Stock	84	360	Nov.	3 By Mdse.	84	360
"	3 " Mdse.	84	280	"	30 " Balance		280
			640				640
1894.							
Dec.	1 To Balance		280				

Dr.		BILLS PAYABLE		Cr.			
1894.				1894.			
Nov.	5	To Sunds.	85 732 75	Nov.	1	By Stock	84 277 75
"	24	" Nat. Bank	87 200	"	3	" Mdse.	84 455
"	28	" do.	87 2200	"	4	" Clark & Co.	85 200
				"	8	" Stone Mill	85 2200
			3132 75				3132 75

Dr.			FRANK GOODMAN			Cr.			
1894.			1894.						
Nov.	1	To Sunds.	84	240	Nov.	1	By Stock	84	415 75
"	12	" do.	86	420	"	22	" Nat. Bank	87	244 25
				660 00					660 00

LEDGER.

2d Set.

Dr.		BROWN & SMITH		Cr.	
1884.				1884.	
Nov.	1 To Stock	84	210 40	Nov.	3 By Real Estate 84 1250
"	17 " Sunds.	86	165		
"	22 " do.	87	155		
"	30 " Balance		719 60		
			1250 00		1250 00
				1884.	
				Dec.	1 By Balance 719 60

Dr.		INTEREST		Cr.			
1884.				1884.			
Nov.	5	To Sunds.	85 8 33	Nov.	3	By Mdse.	84 25
"	24	" Nat. Bank	87 67				
"	28	" do.	87 7 33				
"	30	" Balance	8 67				
			25 00				25 00
				1884.			
				Dec.	1	By Balance	8 67

Dr.			WM. BROWN			Cr.			
1884.						1884.			
Nov.	1	To Mdse.	84	270.	Nov.	10	By Stone Mill	85	250
"	14	" Sunds.	86	1725	"	24	" Cash	87	1745
				1995					1995

Dr.			REAL ESTATE				Cr.		
1884.					1884.				
Nov.	3	To Sunds.	84	1650	Nov.	4	By Mdse.	85	650
					"	30	" Balance		1000
				1650					1650
1884.									
Dec.	1	To Balance		1000					

2d Set.

LEDGER.

Dr.				WM. CLARK & Co.				Cr.			
1884.								1884.			
Nov.	4	To Sunds.	85	230				Nov.	30	By Balance	1065
"	12	" Mdse.	85	275							
"	17	" Sunds.	86	510							
				1065						1065	
1884.											
Dec.	1	To Balance		1065							

Dr.				STONE MILL				Cr.			
1884.								1884.			
Nov.	5	To Nat. Bank	85	150				Nov.	10	By Sunds.	85 3240
"	8	" Sunds	85	2600				"	12	" F. Goodman	86 180
"	10	" do.	85	1100				"	14	" W. Brown	86 850
"	14	" do.	86	1920				"	17	" Clark & Co.	86 270
"	18	" do.	86	1400				"	17	" Brown & S.	86 90
"	20	" Nat. Bank	87	450				"	18	" Cash	86 1500
"	30	" Balance		190				"	22	" Brown & S.	87 80
				7810				"	26	" Cash	87 1600
										7810	
1884.								1884.			
Dec.	1	By Balance						Dec.	1	By Balance	190

Dr.				MERCHANDISE				Cr.			
1884.								1884.			
Nov.	17	To Bal. p. 88		470				Nov.	17	By Brown & S.	86 75
"	20	" Nat. Bank	87	490				"	18	" Stone Mill	86 950
"	30	" Balance		365				"	22	" Brown & S.	87 75
				1325				"	26	" Cash	87 225
										1325	
1884.								1884.			
Dec.	1	By Balance						Dec.	1	By Balance	365

INSTRUCTIONS—THIRD SET.

107. This is an individual Set, and is opened with a Stock Account, with the Student (using his own name) as proprietor. This set employs a Day Book, Journal, Ledger, and Bill Book. A Sales Book and an Invoice Book—samples of which are given—are employed as auxiliaries to the Day Book. When the Transactions do not give the details, reference is made in them to one of these books, which furnishes the *amounts* required for use in writing up the Day Book.

108. The Bank Account of this Set is kept with the State Bank, in which all deposits are made, and upon which all checks are drawn. Store rent and Clerk hire are debited to Expense. Receipts for Desk room are credited to this account. The Transactions furnish all information needed in relation to Bills Receivable and Bills Payable. When bills are paid or disposed of, the fact is entered in the Bill Book.

TRANSACTIONS OF THIRD SET.

January 1st, 1885.

RESOURCES.—I commence business this day with \$240 Cash in safe; \$570 on deposit in State Bank; Merchandise in store, worth \$1460; and a Note against Amos Dean for \$412, dated Nov. 3, 1884, on interest at 6 per cent, and due Jan. 3, 1885.

LIABILITIES.—I owe my Note of Dec. 15, 1884, at 1 mo., for \$85; and John Jones on acct. \$70.

Jan. 2d.

Trans. 1. Sell Henry Brownell, for Cash, Merchandise per Sales Book. (See page 98.)

Jan. 3d.

Tr. 2. Sell John Owen, at 20 days, Merchandise per Sales Book.

Tr. 3. The Note of Amos Dean, this day due, with Interest, is paid in Cash.

Jan. 5th.

Tr. 4. Sell Otis Collins, of Greencastle, O., Merchandise per Sales Book. Receive his Note at 20 days, drawing Interest at 7 per cent.

Jan. 7th.

Tr. 5. Sell J. W. Sharp, of Delaware, at 10 days, Merchandise per Sales Book.

Jan. 8th.

Tr. 6. Buy of Van Antwerp, Bragg & Co. Merchandise per Invoice Book. Pay by Ck. \$500 and Cash.

Tr. 7. Deposit \$600 in State Bank.

Jan. 9th.

Tr. 8. Sell E. N. Hartshorn, on his Note at 10 days, Merchandise per Sales Book.

Tr. 9. Sell John Smithson, for Cash, Merchandise per Sales Book, amount \$570.

Jan. 10th.

Tr. 10. Sell J. L. Wallace, for Cash, Merchandise per Sales Book, amount \$214.

Jan. 12th.

Tr. 11. Deposit \$675 in State Bank.

Jan. 13th.

Tr. 12. Buy of Van Antwerp, Bragg & Co., Invoice of Merchandise, amount \$480. Pay by Check.

Jan. 15th.

Tr. 13. Give Jno. Jones my Check in payment of my Note of Dec. 15, and in settlement of account with him.

Jan. 16th.

Tr. 14. Sell Mdse. for Cash, amount \$327.

Jan. 17th.

Tr. 15. J. W. Sharp pays the amount due from him on account in Cash.

Tr. 16. Pay in Cash rent for Store for Jan., \$85.

Tr. 17. Sell Merchandise to J. W. Sharp, per S. B. Amount \$204. Receive \$80 in Cash : balance on account.

Jan. 19th.

Tr. 18. Buy for Cash Invoice of Merchandise. Amount \$465.80.

Tr. 19. Receive from E. N. Hartshorn Draft on N. Y. to take up his Note of Jan. 9th.

Jan. 20th.

Tr. 20. Sell John Owen on acct. Merchandise, S. B. \$140.

Tr. 21. J. A. Roys buys for Cash Merchandise per S. B. Amount \$246.

Jan. 21st.

Tr. 22. H. C. Spencer buys an Invoice of Mdse., which he pays for by N. Y. Draft for \$312.

Tr. 23. Hiram Stilwell pays \$8.50 for Desk Room in office one month.

Jan. 22d.

Tr. 24. Deposit \$500 in State Bank.

Tr. 25. Pay \$175.50 for Mdse. per Invoice.

Jan. 23d.

Tr. 26. Sell Press Printing Co. Mdse. per S. B., \$240. Settle the Company's Printing Bill, amount \$32.50, and receive the balance in Cash.

Jan. 24th.

Tr. 27. John Owen settles his account, allowing 75c. for Interest on same. Pays in Cash.

Jan. 26th.

Tr. 28. Otis Collins takes up his Note of Jan. 5th, with 20 days' Interest at 7 per cent, by Check.

Tr. 29. Deposit \$550.75 in State Bank.

Jan. 27th.

Tr. 30. Buy Merchandise per Invoice Book. Amount \$875.40. Pay by Check.

Jan. 28th.

Tr. 31. Receive from J. W. Sharp, N. Y. Draft for \$230 for his credit in account.

Tr. 32. Fill J. W. Sharp's order for Merchandise per Sales Book, amount \$86.50.

Jan. 31st.

Tr. 33. Pay clerk and porter for 1 mo. \$90 in Cash.

ABSTRACT OF INVENTORY.

January 31, 1885.

109. On taking an Inventory, we find on hand Merchandise worth \$1600.03.

Required to determine :

- 1st.* The *Trial Balance* of January 31, 1885.
- 2d.* The *Ledger Balances* of January 31, brought forward under date of February 1, 1885.
- 3d.* The *Net Stock* on commencing business.
- 4th.* The *Net Gain* in trade for January.
- 5th.* The *Net Stock*, including gain, February 1, 1885.
- 6th.* The *Items of Resources* and their value.
- 7th.* The *Items of Liabilities* and their amount.

PROOF.—The *Resources*, less the *Liabilities*, should exactly equal the *Net Stock*, February 1, 1885.

REMARK.—Unless very familiar with the principles involved in closing the Ledger, with a view to determining the gains and losses of a business and its net result as a whole, the student should here carefully review Arts. 61 to 65, relating to this subject, in which the principles involved are carefully explained, and Arts. 97 to 104, in which they are particularly applied in closing the Second Set. The application of these same principles will enable the student readily to close this Third Set, or any other Set under like circumstances, for the principles referred to are of universal application.

Ans. 1st.

TRIAL BALANCE.

*Dr.**January 31st, 1885.**Cr.*

Amounts.	Balances.	Accounts.	L. F.	Balances.	Amounts.
155		Stock		2527	2682
2895 75	885 35	State Bank			2010 40
		Interest		5 38	5 38
274 50		J. W. Sharp		19 50	294
207 50	199	Expense			8 50
2140 91	1116 41	Merchandise			1024 50
1667 37	351 12	Cash			1316 25
7341 03	2551 88			2551 88	7341 03

Ans. 2d.

LEDGER BALANCES.

*Dr.**February 1, 1885.**Cr.*

Accounts.	L. F.	Amounts.	Accounts.	L. F.	Amounts.
State Bank		885 35	Stock		2817
Merchandise		1600 03	J. W. Sharp		19 50
Cash		351 12			
		2836 50			2836 50

Ans. 3d. The *Net Stock*, January 1, was \$2527.*Ans. 4th.* The *Net Gain* for January is 290.*Ans. 5th.* The *Net Stock*, February 1, is 2817.*Ans. 6th.* The *Dr. Ledger Balances* amount to 2836.50*Ans. 7th.* The *Cr. Ledger Balances*, except Stock 19.50

PROOF.	Resources	\$2836.50
	Liabilities	19.50
	<i>Net Stock</i> , as above	\$2817.00

SALES BOOK.

January 2, 1885.

Henry Brownell, Cash,		Columbus.		
84 Ray's Prac. Arithmetic	@ \$.50	42		
64 ——— Higher Arithmetic	" .85	54 40		
25 Eclectic Comp. Geography	" 1.20	30		
28 Revised 2d Reader	" .30	8 40		
12 ——— 4th Reader	" .50	6	140 80	
Jan. 3.				
John Owen, acct. 20 days,		City.		
132 Eclectic Comp. Geography	@ \$1.20	158 40		
30 Ray's Prac. Arithmetic	" .50	15		
54 White's Comp. Arithmetic	" .65	35 10	208 50	
Jan. 5.				
Otis Collins, Note,		Greencastle.		
33 Revised 2d Reader	@ .30	9 90		
56 ——— 3d Reader	" .42	23 52		
56 ——— 5th Reader	" .72	40 32		
48 Eclectic Comp. Geography	" 1.20	57 60	131 34	
Jan. 7.				
J. W. Sharp, acct. 10 days,		Delaware.		
20 Mayhew's Univ. Book-keep'g	@ \$1.60	32		
20 Sets Blanks do.	" 1.60	32	64	
Jan. 9.				
E. N. Hartshorn, Note,		Mt. Union.		
24 University Book-keeping	@ \$1.60	38 40		
24 Sets Blanks do.	" 1.60	38 40		
18 Eclectic Comp. Geography	" 1.20	21 60		
20 Ray's Test Problems in Alg.	" .50	10	108 40	

NOTE.—The above sufficiently illustrates the form and use of the Sales Book described in Art. 49. When this book is used the Day Book entries may be brief, not repeating details. The amounts are given in the Transactions in the remainder of this Set, and in Sets where the Sales Book is not shown.

INVOICE BOOK.

IRA MAYHEW, CINCINNATI, OHIO, Jan. 8, 1885
 Bought of VAN ANTWERP, BRAGG & Co.
Publishers Eclectic Educational Series.

144 Revised 2d Reader	@ \$.30	43 20	
192 ——— 3d Reader	" .42	80 64	
96 ——— 5th Reader	" .72	69 12	
40 Cole's Institute Reader	" .80	32	
87 Ray's Primary Arithmetic	" .15	13 05	
144 ——— Practical Arithmetic	" .50	72	
72 ——— Higher Arithmetic	" .85	61 20	
48 White's Comp. Arithmetic	" .65	31 20	
48 Ray's Higher Algebra	" 1.00	48	
24 ——— Test Problems in Alg.	" .50	12	
48 ——— Elements of Astronomy	" 1.20	57 60	
24 Eclectic Comp. Geography	" 1.20	28 80	
48 ——— School Geog. No. 3	" 1.30	62 40	
72 Harvey's Language Lessons	" .20	14 40	
84 ——— Rev. Pract. Grammar	" .65	54 60	
72 Pinneo's Guide to Composition	" .60	43 20	
12 Smith's Eng. Literature	" 1.20	14 40	
		737 81	
	10%	73 78	
		664 03	
	2% Cash	13 28	
		650 75	
2 Boxes and Drayage		1 50	652 25

Received payment,

VAN ANTWERP, BRAGG & Co.

NOTE 1.—The above sufficiently illustrates the form of Invoices and of the Invoice Book. (See Art. 107, Instructions, 3d Set.)

NOTE 2.—See the Note, Art. 51, for the manner of making an Invoice Book from Invoices received.

THIRD SET REWRITTEN,

WITH CASH BOOK AND JOURNAL DAY BOOK.

110. The Cash Book, as stated in Art. 50, properly contains a record of all Cash received and paid in conducting a business. When the Cash transactions are few, the account may be kept like other accounts, as has hitherto been done in this work. But when they become numerous, a separate Cash Book is of advantage. The benefits resulting from the use of this book will be apparent from rewriting the Third Set from the Transactions, using a Cash Book and Journal Day Book, instead of a Day Book and Journal, as directed in Art. 107.

111. The form of the Cash Book is shown on the next folio, with some of the extensions made, as derived from the Transactions. The Cash Book, as here shown, is essentially a Journal, though of special form. The first entry for Resources, January 1, is "Cash Dr. To Stock," and should be posted to the Cr. side of Stock in the Ledger. It here stands on the Dr. side of Cash, this book serving as a Ledger for Cash. The word "Investment" is explanatory, thus making this book a Journal Day Book for Cash. The "J," at the right, indicates that the remainder of the Resources belongs in the Journal Day Book, in which the balance of the entry is written (Art. 53) thus:

State Bank	Dr.	On Deposit	\$570.	
Merchandise		Inventory	1460.	
Bills Receivable		No. 1, B. B.	412.	
To Stock		Investment		\$2442.

With this entry posted, the Ledger is opened for Stock and all accounts representing Resources, except Cash, which appears in the Cash Book.

112. The entry for Liabilities belongs entirely in the

Journal Day Book. Entries for Trans. 1, 3, and 7 are shown in the Cash Book. Entries for Trans. 2, 4, and 5 belong entirely in the Journal Day Book. Trans. 6 requires an entry to each of these books. With these aids, the learner may proceed to rewrite this Set from the Transactions, using the Cash Book, Journal Day Book, and Ledger. The Bill Book, being unchanged, need not be rewritten.

113. The Cash Book and the Journal Day Book should be posted in the order of dates. The Ledger Accounts, as written up by these two methods, will substantially agree. In some cases, what was in *one* sum by the first method will appear in *two* items by the second, coming as they do from two different books; but the results will be the same in both cases.

114. Brevity.—The use of the Cash Book, as here employed, saves *work* in posting and *space* in the Ledger. Every entry in the Cash Book belongs equally to *two* accounts. This book being a Ledger for Cash, *half* of the posting is saved. The titles of account for which Cash is Dr. are severally Cr., and each item is posted to the Cr. side of its account in the Ledger. In like manner, the titles for which Cash is Cr. are themselves Dr., and the items are posted to the Ledger accordingly. Then, by the use of double money columns for "Sundries" and "Merchandise," we can enter the several *debits* and *credits* to Merchandise in the *special* Merchandise columns, and post the *sum* of each such column to the Merchandise Account of the Ledger, and thus save a large part of the work of posting to this account.

NOTE.—Only the items entered in "Sundries" column are posted. Merchandise entered in the special column is not posted till its sum is brought into "Sundries;" and this is uniformly done only at the foot of a page, unless the Cash Account is balanced midway in a page, when the last thing before balancing is to enter the sums of the Merchandise items in "Sundries" columns and post them.

CASH BOOK.

3d Set.

Dr.

CASH

1885.			Sunds.	Mdse.
Jan.	1	To Stock	Investment (see J.)	240
"	2	" Merchandise	S. B.	
"	3	" Bills Receivable	No. 1, B. B.	412
"	3	" Interest	do.	4 12
"	9	" Merchandise	J. Smithson S. B.	---
"	10	" Merchandise	J. L. Wallace S. B.	---
"	16	" Merchandise	S. B.	---
"	17	" J. W. Sharp	Bal. acct.	--
"	17	" Merchandise	J. W. Sharp S. B.	---
"	19	" Bills Rec.	No. 3, B. B.	---
"	20	" Merchandise	J. A. Boys S. B.	---
"	21	" Merchandise	H. C. Spencer S. B.	---
"	21	" Expense	Desk room 1 mo.	---
"	23	" Merchandise	S. B. (see J.)	---
"	24	" John Owen	Bal. acct.	---
"	24	" Interest	on above	--
"	26	" Bills Rec.	No. 2, B. B.	---
"	26	" Interest	do.	--
"	28	" J. W. Sharp	on acct.	---
"	31	" Merchandise	Total Crs.	2097 30
				2097 30
				3645 42
1885.				
Feb.	1	To Balance		351 12

115. Proof.—By writing up this Set as here indicated, and taking the Trial Balance from the Ledger, with the Cash balance from the Cash Book, the learner will obtain the same results as before. By comparing his work in the two cases, he will see he has secured the advantages claimed in Art. 114 by the use of the Cash Book with special Merchandise columns.

116. Special Columns.—The special columns for Merchandise, introduced into the Cash Book, enable us to post the *eight* credits to Merchandise in *one sum*, as shown where this sum is brought into the "Sundries" Dr. column, and the *three* debits to Merchandise in *one sum*, as

INSTRUCTIONS—FOURTH SET.

117. The Student associates with him Horace Hooker, and they engage in business under the firm name of "The Student & Co." The books are opened with a Stock Account. The partners each devote their time to the business, and agree to share in the gains and losses that may arise from it in proportion to their net investments. The Firm keep an account with the City Bank.

118. A Cash Book, Journal Day Book, Ledger, and Bill Book are used in writing up this Set. A Sales Book and an Invoice Book (understood to be kept like the sample shown in the Third Set) would furnish the *amounts* named in the Transactions referring to them, though these books are not here shown. Consignments and Shipments, introduced into this Set, are kept as directed in Arts. 36 and 37. An "account-sales" is an account of a Shipment, rendered by the consignee to the consignor. It should show the receipts from sales, the charges of the consignee, and the *proceeds* to which the consignor is entitled. When received, the consignor should close his Shipment account for gain or loss into Profit and Loss.

TRANSACTIONS OF FOURTH SET.

February 1st, 1885.

RESOURCES.—The Student invests in the business of this Set the Merchandise on hand at the close of the Third Set, and \$819.47 in Cash.

Horace Hooker invests \$776 in Cash; the Note of H. Adams, indorsed by Ben Brooks, dated August 1, 1884, for \$800, due February 15th; and the Interest on this Note to this date. Interest at 6 per cent.

LIABILITIES.—The indebtedness of the Student at the close of Third Set is assumed by the Firm.

Feb. 2d.

Trans. 1. We fill the order of J. W. Sharp for Merchandise per S. B., amount \$145.75.

Tr. 2. Sell A. H. Steadman Merchandise per S. B., amount \$240. Receive \$80 in Cash, and his Note at 10 days, payable at store, for the balance.

Feb. 3d.

Tr. 3. Receive from John W. Brown an Invoice of Merchandise, to be sold on his account and risk. We pay \$17.50 in Cash for freight and drayage.

Tr. 4. We buy for Cash of Harper Bros., Merchandise per Invoice Book, amount \$240.70.

Feb. 4th.

Tr. 5. We deposit \$975 to our credit in account in the City Bank.

Tr. 6. We buy of Wm. Allen \$2400 worth of Mdse. per I. B. Give in payment our Note at 10 days for \$2000, payable at City Bank, and Cash for the balance.

Tr. 7. We ship Invoice of Merchandise, worth \$1141.40, to Smith & Wood, of St. Louis, to be sold on our account and risk. We pay \$8.60 shipping charges in Cash.

Feb. 5th.

Tr. 8. Sell for Cash from Brown's Consignment per S. B., amount \$214.60.

Tr. 9. Sell to C. H. & D. R. R. for Cash, Merchandise per Sales Book, amount \$894.50.

Feb. 6th.

Tr. 10. Pay in Cash, bill of \$27 for advertising.

Tr. 11. Sell to Homer Warren for Cash, Merchandise per Sales Book, amount \$217.30.

Tr. 12. Deposit \$1000 in City Bank.

Feb. 7th.

Tr. 13. Sell for Cash from Brown's Consignment per Sales Book, amount \$665.40.

Tr. 14. Isaac Smith buys of us for Cash an Invoice of Merchandise, amount \$340.15.

Feb. 9th.

Tr. 15. Render J. W. Brown an account-sales of his Consignment, received the 3d inst., charging 5 per cent commission on sales, and remitting his net proceeds by our Check on the City Bank.

Feb. 10th.

Tr. 16. Sell Merchandise to Daughters College, Harrodsburg, for Cash, amount \$250.

Tr. 17. Sell to St. John's College, Fordham, for Cash, Merchandise, amount \$590.

Tr. 18. Deposit \$1640 in City Bank.

Feb. 11th.

Tr. 19. Buy of Butler & Co., on our Note at 10 days, Merchandise per Invoice Book, amount \$1980.75.

Feb. 12th.

Tr. 20. Bill Receivable No. 2 is paid in Cash.

Tr. 21. Sell for Cash, Merchandise per Sales Book, \$280.

Feb. 14th.

Tr. 22. Receive from Jno. W. Brown an Invoice of Mdse. to be sold on his account and risk. We pay \$14.75 in Cash for freight and drayage.

Tr. 23. Pay Bill Payable No. 1 by Check.

Feb. 16th.

Tr. 24. Bill Receivable No. 1 is paid in Cash, with 6½ months' interest, at 6 per cent.

Tr. 25. We receive from Smith & Wood, of St. Louis, an account-sales of our Shipment to them of Feb. 4th. Our net proceeds are \$1230, covered by a sight Draft on New York.

Tr. 26. Deposit \$950 in Cash in City Bank.

Tr. 27. Buy for Cash, Invoice of Merchandise, \$975.

Feb. 17th.

Tr. 28. Ship to Smith & Wood, of St. Louis, Invoice of Merchandise worth \$1240, to be sold on our account and risk. Pay \$9.20 shipping charges in Cash.

Tr. 29. Buy for Cash, of Van Antwerp, Bragg & Co., Invoice of Merchandise, amount \$870.75.

Feb. 18th.

Tr. 30. Sell Thos. Walker, on his Note at 10 days, Merchandise per Sales Book, amount \$764.

Tr. 31. J. W. Sharp pays in Cash the balance our due on account.

Feb. 19th.

Tr. 32. Sell to High School for Cash, Merchandise per Sales Book, amount \$1245.25.

Tr. 33. Sell to City Bank for Cash, Merchandise per Sales Book, amount \$820.50.

Tr. 34. Deposit in City Bank \$2000 in Cash.

Feb. 21st.

Tr. 35. Pay Bill Payable No. 2 by Check on City Bank.

Tr. 36. Sell J. W. Brown's Consignment No. 2 for \$915.

Tr. 37. Render J. W. Brown an account-sales of his Consignment (§ 2), charging him 5 per cent commission on sales, and remitting his net proceeds by our Check.

Feb. 23d.

Tr. 38. Pay Cash for Merchandise I. B. \$460.

Tr. 39. Buy Merchandise of N. E. Publishing Co. per Invoice Book, amount \$2475, on our Note at 3 days.

Feb. 24th.

Tr. 40. Sell for Cash, Merchandise per S. B. \$437.40.

Feb. 25th.

Tr. 41. Cash Sales of Merchandise this day have been \$348.80 per S. B.

Tr. 42. Pay Clerk's wages for the mo. \$75.

Feb. 26th.

Tr. 43. Receive from Smith & Wood an account-sales of our Shipment to St. Louis of Feb. 17th. Our net proceeds \$1225 covered by sight Draft on N. Y.

Tr. 44. Sell E. N. Hartshorn on his Note at 10 days, Mdse. per Sales Book, amount \$210.

Tr. 45. Take up our Note No. 3 this day due.

Feb. 27th.

Tr. 46. Deposit to our credit in account, in the City Bank, at its face, Bill Receivable No. 3, due on the 28th.

Tr. 47. Pay bills for advertising and fuel and lights for the month, amount \$135.50.

Feb. 28th.

Tr. 48. Cash Sales of Mdse. for the day amount to \$737.40, per Sales Book.

Tr. 49. Pay \$85 for store rent for the month.

Tr. 50. Receive \$10 for desk room in office.

ABSTRACT OF INVENTORY.

February 28th, 1885.

119. On taking an Inventory of goods remaining unsold, we find Merchandise worth \$2249.23. The partners are credited in account for their respective shares of the *net gain* of the business, as provided for in Art. 117. The Student's share of gain is then taken in a Check on the City Bank, and one half of Horace Hooker's share is taken in Cash, the other half remaining temporarily to his credit in account.

Required to determine :

- 1st. The *Trial Balance* of February 28, 1885.
- 2d. The *Ledger Balances* of March 1, after having adjusted the partners' accounts as provided for in Art. 119.
- 3d. The *items* of Resources and their value.
- 4th. The *items* of Liabilities and their amount.

NOTE.—The Resources and Liabilities of the business have changed in items, but the *net* Stock remains the same. The net gain of the business has been paid over to the partners, according to agreement, one of whom, for a time, leaves half of his share with the Firm to his credit in account.

Ans. 1st.**TRIAL BALANCE.**

<i>Dr.</i>		<i>February 28th, 1885.</i>		<i>Cr.</i>	
Amounts.	Balances.	Accounts.	L. F.	Balances.	Amounts.
19 50		Stock		4000	4019 50
11002 23	1099 78	Merchandise			9902 45
1934	210	Bills Rec.			1724
24		Interest		2	26
7329	1675 25	City Bank			5653 75
322 50	312 50	Expense			10
		Commission		89 75	89 75
24 20		Profit & Loss		55 80	80
13209 02	850 02	Cash			12359
33864 45	4147 55			4147 55	33864 45

Ans. 2d.**LEDGER BALANCES.**

<i>Dr.</i>		<i>March 1, 1885.</i>		<i>Cr.</i>	
Accounts.	L. F.	Amounts.	Accounts.	L. F.	Amounts.
Merchandise		2249 23	Stock		4000
Bills Rec.		210	H. Hooker		196 90
City Bank		1084 55			
Cash		653 12			
		4196 90			4196 90

Ans. 3d. The *Dr. Ledger Balances*; amount \$4196.90.

Ans. 4th. The *Cr. Ledger Balances*, except Stock; amount \$196.90.

OPENING AND CLOSING BOOKS.

120. The opening of a set of books, as required for a particular business, so as to make the accounts arising conform to the facts in the case, is the first difficulty encountered by the inexperienced book-keeper, and presents a problem that often perplexes accountants of years of experience. This done, the current entries for recording ordinary business transactions are comparatively easy.

121. The closing of a set of books by eliminating the gains and losses that have arisen in a business, and determining its net result as a whole, is a more difficult problem, and one requiring greater skill for its solution. But book-keepers and business men ought to be able readily to solve such questions. And, determining the net result of a business and the value of Stock at its close, they should be able to prove the accuracy of their work by showing that the Resources of the business are enough to meet its Liabilities and leave the value called for by the Stock Account.

EXAMPLES FOR PRACTICE.

122. The following examples for practice will give the learner additional drill in both opening and closing sets of books, as taught in Arts. 57 to 66, and as required under varying circumstances, thus increasing his familiarity with these more difficult processes, and enabling him to enter upon the work of recording actual business transactions with better assurance of success.

EXAMPLE I. OPENING.

Let the Student commence business with the following Resources and Liabilities, and open his books with a Stock Account:

RESOURCES.—\$260 of Cash in hand; on deposit in the State Bank, \$2500; Merchandise, per Inventory, worth \$1200; a Note of \$200, made by Thos. Brown; Real Estate worth \$4500; and a balance of \$140 due from Hiram King on account.

LIABILITIES.—There is outstanding the accepted Draft of H. Boomer for \$260, due in ten days; and a credit balance to Homer Warren of \$40 on book account.

Required to determine:

- 1st. The Journal entry for *Resources*.
- 2d. The Journal entry for *Liabilities*.
- 3d. The *net value* of Stock in trade.

EXAMPLE II. CLOSING.

123. The business introduced in the last example (Art. 122) is carried on for the period of one year, during which time Merchandise is bought and sold, and Real Estate dealt in. Personal accounts are opened and closed. Notes are given to others, and received from others, a portion of which are paid. These facts are stated to indicate how the accounts became in the condition here shown. It is evident the amount of work done during this period can have no effect on the process of closing. At the end of the year a Trial Balance is taken, and an Inventory of Merchandise, Real Estate, and Expense on hand, with the following results:

Dr.	TRIAL BALANCE.		Cr.
Cash	410	Stock	8500
State Bank	3560	Merchandise	380
Real Estate	2880	Bills Payable	560
Expense	970	Interest	240
Profit & Loss	180	O. Powers	240
Bills Receivable	1920		
	9920		9920

INVENTORY.—The Inventory shows Merchandise on hand worth \$2340; Real Estate worth \$3120; and various articles charged to Expense worth \$250.

Required to determine:

1st. The Journal entries for closing.

2d. The Ledger Balances, after eliminating from the speculative accounts of the Ledger, as shown by the Trial Balance and Inventory, all measures of *gain* and *loss*.

3d. Name the *titles of accounts* representing *Resources*, the value belonging to each particular title, and the amount of the whole.

4th. Name the *titles* representing *Liabilities*, with the amount of each and of the whole.

5th. From the amount of *Resources* take the amount of *Liabilities*, and show that the remainder equals the Stock invested plus the gain during the year.

EXAMPLE III. OPENING.

Partnership without Stock Account.

124. The Student enters into copartnership with E. N. Hartshorn, and they continue the business of the last

example under the firm name of The Student & Co. The Student invests the Resources of the business just closed, the firm assuming its Liabilities. E. N. Hartshorn invests \$5000 worth of Merchandise and \$2500 in Cash, and the Firm assumes a \$300 Note outstanding against him. The partners are to share in *gains* and *losses* in proportion to their net investments.

Required to determine:

1st. The Journal entries for The Student's *Resources* and *Liabilities*.

2d. The Journal entries for E. N. Hartshorn's *Resources* and *Liabilities*.

3d. The *net investment* of each partner.

4th. The *net value* of Capital in the business.

EXAMPLE IV. CLOSING.

Partnership without Stock Account.

125. The business of the last example (Art. 124) is conducted one year. During this time the Firm have bought and sold over \$40,000 worth of Merchandise, and nearly \$60,000 worth of Real Estate. A Trial Balance and Inventory are taken at the close of the year, with the following results:

Dr.		TRIAL BALANCE.		Cr.
Cash	860	The Student	10800	
State Bank	14500	E. N. Hartshorn	7200	
Expense	785	Merchandise	250	
Bills Receivable	1668	Real Estate	315	
Personal Accounts	1260	Profit & Loss	508	
	19073		19073	

INVENTORY.—The Inventory now taken shows on hand Merchandise worth \$5140, and Real Estate worth \$4692.

Required to determine:

1st. The Journal entries for closing.

2d. The Ledger Balances, after eliminating from the speculative accounts of the Ledger, as shown by the Trial Balance and Inventory, all measures of *gain* and *loss*, and entering the *net result* to the partners' accounts, as provided in Art. 124.

3d. Name the *titles of accounts* representing *Resources*, the value of each, and the amount of the whole.

4th. Name the *titles* representing *Liabilities*, with the amount of each and of the whole.

5th. From the amount of the Resources take the amount of the Liabilities, and show that the remainder equals the net Stock standing in the names of the partners.

EQUATION OF PAYMENTS.

126. Equation of Payments is finding the average time for the payment of a whole debt, where several sums become due at different times, so that neither party shall sustain loss.

NOTE 1.—This average time is intermediate among the several times, or dates, for partial payments, and so fixed that the *gain* to the debtor from retaining one or more sums *after* they become due, shall exactly equal the *loss* by him from paying one or more other sums *before* they become due.

NOTE 2.—The method of ascertaining this average time recognizes that the product of any sum of money into the time it is used is a *measure* of its worth. Thus, the use of \$12 for 2 months is equal to that of \$8 for 3 months, or \$6 for 4 months; for the product of each sum into its time is 24, the *measure* of its worth.

EXAMPLE 1.—John Doe owes me \$560, of which \$320 becomes due in 1 month, \$160 in 3 months, and \$80 in

4 months. He proposes to pay the whole at one time, to which I consent. How long before payment of the whole should be made, so that neither party shall sustain loss?

Ans. 2 months.

OPERATION.			EXPLANATION.—The use of \$320 for 1 month is equal to that of \$1 for 320 months. The use of \$160 for 3 months is equal to that of \$1 for 480 months. And the use of \$80 for 4 months is equal to that of \$1 for 320 months. The entire interest or use of these several sums when due will hence be equal to that of \$1 for 1120 months, or of \$560 for as many months as 560 is contained times in 1120, which is 2 months. Hence,
Amt.	Mos.	Prod.	
320	× 1	= 320	
160	× 3	= 480	
80	× 4	= 320	
560		1120	
1120 ÷ 560 = 2 <i>Ans.</i>			

127. To find the average time for payment of a whole debt, where several payments become due at different times,

Multiply each partial payment by the time before it becomes due. Divide the sum of the products thus obtained by the whole debt, and the quotient will be the average time of payment.

NOTE.—When one of the payments is due at once, the time to elapse before payment being 0, the product becomes nothing; but, in finding the sum of the payments for a divisor, this payment must be added with the others.

EXAMPLE 2. I buy a farm for \$6000, upon the following terms: one third of the purchase to be paid in cash, one half of the remainder in 12 months, and the balance of the purchase in 18 months, without interest. What would be the equated time for the payment of the whole at once?

Ans. 10 months.

EXAMPLE 3. In case the first payment had been made in cash, in the last example, what would be the equated time for the two remaining payments?

Ans. 15 months.

EXAMPLE 4. A merchant buys an invoice of goods amounting to \$1800, to be paid for as follows: \$490 in

cash at the time, \$300 in 30 days, \$510 in 60 days, and the remainder in 90 days. What would be the equated time for the payment of the whole at once?

Ans. 47 days.

128. The Average Date of several bills of varying amounts and bearing different dates, may be determined on the principle of Equation of Payments, just explained.

NOTE.—In case several bills are made under different dates, and it becomes desirable to cover the amount of them all by an interest-bearing note, the *average date* of these bills will be the proper date of the note, or the time from which interest should be reckoned.

129. The Term of Credit is the time allowed for the payment of merchandise bought on account, and varies, depending upon local usage and the line of goods dealt in.

NOTE.—Some business houses do a strictly cash business, and give no credit. Others allow a uniform term of credit for 30, 60, or 90 days; while still others allow varying terms of credit for different kinds of merchandise.

130. A Focal Date is a date to reckon from, adopted for convenience in computing averages. It is chiefly used in determining the *average date* of bills, or their *average term of credit*. The earliest or the latest date of the several bills averaged is usually employed. The result is the same whatever focal date is taken.

131. To find the *average date* of several bills of various amounts and bearing different dates,

Consider the date of the earliest bill a focal date. Reckon the time between this focal date and the date of each of the several bills. Multiply each bill by its time, and divide the sum of the products by the amount of the several bills; the quotient, added to the focal date, will give the average date required.

NOTE 1.—In case the *latest* date of a bill is employed as a focal date, the quotient must be *subtracted* from it to obtain the *average date* of the several bills.

NOTE 2.—When an example of this kind has been worked, using the *earliest* date of a bill as the focal date, it may be proved by using the *latest* date for a focal date.

132. To find the *average term of credit* of several bills of various amounts and different terms of credit,

Multiply the amount of each bill by its term of credit, expressed in months or days. Divide the sum of the products by the amount of the bills, and the quotient will be their average term of credit.

NOTE.—The same principle enables us to determine when several bills having different terms of credit, *average due*. First, note when the bills severally become due, when the process becomes the same as given in Art. 127.

EXAMPLES FOR PRACTICE.

EXAMPLE 1. A merchant sells a bill of goods, amount \$1800, of which \$900 is payable in 4 months, \$450 in 6 months, and the remainder in 8 months. What is the average term of credit? *Ans.* $5\frac{1}{2}$ months.

EXAMPLE 2. Bought of John Thompson 4 Invoices of Merchandise, as follows:

- No. 1. Jan. 4, Amount \$172.50
- No. 2. Jan. 8, Amount 361.50
- No. 3. Jan. 12, Amount 420.
- No. 4. Jan. 20, Amount 540.

What is the amount of the whole purchase? and what its average date?

Ans. Amount \$1494. Average date, Jan. 13.

EXAMPLE 3. Several Bills have been bought on *terms of credit* as noted below, to wit:

- No. 1. \$145, Term of Credit 7 days.
- No. 2. 723, do. do. 15 do.
- No. 3. 820, do. do. 24 do.
- No. 4. 1080, do. do. 40 do.

What is the *average term of credit* of the whole purchase?
Ans. 27 days.

EXAMPLE 4. Sold Wm. Williams 5 Invoices of Mdse., under dates and on *terms of credit* noted below, to wit:

No. 1.	Jan. 2,	\$395,	with credit of	5 days.
No. 2.	Jan. 4,	500,	do.	10 do.
No. 3.	Jan. 7,	305,	do.	20 do.
No. 4.	Jan. 10,	200,	do.	10 do.
No. 5.	Jan. 15,	100,	do.	5 do.

He wishes to cover the amount of these several Invoices by his Note, bearing interest, under the date when these several purchases *average due*. What should be the date of his Note?
Ans. Jan. 16.

EQUATION OF ACCOUNTS.

133. Equation of Accounts is finding the equitable time for the payment of the balance of an account having both debits and credits. Its consideration properly follows that of Equation of Payments.

NOTE 1.—The debit and credit sides of every account may each be brought to an average date, by equation, as explained in Arts. 126 and 127. Should these dates be the same, the balance will be then due.

NOTE 2.—The average date of the larger side of every account requiring equation must then be either *later* or *earlier* than the average date of the smaller side, as here shown:

Dr.		WILLIAM BROOKS		Cr.	
July 26	To Mdse.	2000	July 1	By Mdse.	1375
			Sept. 19	Balance	625
		2000			2000

Dr.		WILLIAM BROOKS		Cr.	
July 1	To Mdse.	2000	July 26	By Mdse.	1375
			May 7	" Balance	625
		2000			2000

NOTE 3.—In the *first* of these accounts, on July 26th, we have had from Brooks the use of \$1375 for 25 days. (From July 1st to July 26th.) HE is therefore entitled to retain the balance of \$625 for 55 days; for $1375 \times 25 + 625 = 55$; and 55 days after July 26th is Sept. 19th, when the balance of account becomes due by equation.

NOTE 4.—In the *second* account, of the \$2000 Brooks had from us July 1st, he pays \$1375 in 25 days. He therefore ought to allow us use on the balance (\$625) not only since July 1st, when he received it, but for 55 *additional* days, or from May 7th, to compensate for the use of \$1375 for 25 days. And so generally. Hence,

134. To find when the *balance* of an account is due by Equation,

1st. Find the average date of each side of the account.

2d. Then multiply the smaller side of the account by the number of days between its date and the date of the larger side, and divide the product by the balance of the account; the quotient will indicate THE TIME when the balance is due, reckoning from the date of the larger side of the account. When the larger side has the LATER DATE, the time must be ADDED, or counted forward; but when it has the EARLIER DATE, the time must be SUBTRACTED, or counted backward.

NOTE.—In finding the exact time between two dates, as required in working these examples, the Time Table on page 126, and Art. 140, explaining its use, may be consulted.

EXAMPLE 1. When do the debits and when the credits of the following account *average due*? And when does the balance of the account become due by Equation?

Ans. Debits Feb. 28; Credits March 22; Bal. Jan. 23.

Dr.

JOHN BROWN & SONS

Cr.

Jan.	3	To Mdse.	320	Feb.	2	By Cash	250
Feb.	17	" do.	850	Mar.	4	" Mdse.	378
Mar.	11	" do.	200	Apr.	24	" Cash	400
Apr.	6	" do.	300	May	6	" do.	125
May	17	" do.	180				

EXAMPLE 2. From what date, in equity, should interest be computed on settlement of the following account with A. H. Steadman? *Ans.* Sept. 5.

Dr.

A. H. STEADMAN

Cr.

May	5	To Mdse.	200	May	14	By Cash	150
June	16	" do.	300	June	16	" Mdse.	500
July	8	" do.	428	July	10	" Cash	300
Aug.	15	" do.	474	Aug.	17	" do.	400
Sept.	10	" do.	353				

NOTE.—The same result will be obtained whether this example is worked as directed in Art. 134, or by the following Short Method, which will now be readily understood.

135. Short Method for finding when the *balance* of an account is due by Equation :

Take the date of the latest item of the account for a focal date. Multiply each item of the account, both debit and credit, by the number of days between its date and the focal date. Add the debit and credit products separately, and subtract the less amount from the greater. Divide their difference by the balance of the account, and the quotient will indicate the time when the balance of the account is due, reckoning BACKWARD from the focal date when the balance of "items" and the balance of "products" are on the SAME SIDE, and FORWARD when on OPPOSITE SIDES.

NOTE.—The *earliest* date of an account might be taken as a focal date, when the quotient indicating when the balance of account is

due would be reckoned *forward* from the focal date, in case the balance of "items" and of "products" appear on the *same side*, and *backward* when on *opposite sides*.

Example 1 under Art. 134, worked by the Short Method, will be as follows, May 17th being the Focal Date :

Debits.			OPERATION.	Credits.		
Items.	Days.	Products.		Items.	Days.	Products.
320	×	134 =	42880	250	×	104 = 26000
850	×	89 =	75650	378	×	74 = 27972
200	×	67 =	13400	400	×	23 = 9200
300	×	41 =	12300	125	×	11 = 1375
180	×	0		1153		64547
1850			144230	Dr. Items	1850	
Cr. Products		64547		Cr. Items	1153	
Difference		79683		Difference	697	

79683 + 697 = 114 days. And 114 days backward from May 17th is Jan. 23d, when the balance of the account is due; the same as before.

EXPLANATION.—Reckoning from the latest date as a focal date, the Browns have had the use of the first item, \$320, 134 days, which is the equivalent of \$1 for 42880 days; and so for the other Dr. items, making the whole equivalent to the use of \$1 for 144230 days. Their Cr. items are together equivalent to the use of \$1 for 64547 days, leaving a Dr. excess equivalent to the use of \$1 for 79683 days, or of \$697 for 114 days. The balance of account is therefore due 114 days *backward* from the focal date, or January 23d, as before.

EXAMPLE 1. When would the balance of the following account average due? Ans. April 26.

Dr.		JOHN M. SUTTON				Cr.	
Mar.	14	To Mdse.	375	May	18	By Cash	375
June	5	" do.	250	June	8	" Mdse.	700
July	5	" do.	600	July	6	" Cash	150
"	10	" do.	175				

EXAMPLE 2. What should be the date of a Note, bearing interest, to be given in the settlement of the following account? Ans. Jan. 6.

Dr.		J. GEO. CROSS		Cr.			
Jan.	15	To Mdse.	150	Jan.	25	By Cash	300
"	25	" do.	180	Feb.	4	" Mdse.	200
Feb.	7	" do.	210	"	25	" Cash	150
"	18	" do.	164 50	Mar.	7	" Mdse.	200
Mar.	3	" do.	300	"	10	" Cash	275
"	10	" do.	205 50				

EXAMPLE 3. What is the average date for the payment of the balance of this account? *Ans.* May 6.

Dr.		J. C. WELDON		Cr.			
Jan.	15	To Mdse.	300	Jan.	9	By Mdse.	400
"	27	" do.	250	"	28	" do.	350
"	29	" do.	642	Feb.	20	" do.	618
Feb.	11	" do.	400	"	28	" do.	720
"	16	" do.	320	Mar.	16	" do.	562
"	27	" do.	150				
Mar.	19	" do.	310				

CASH BALANCE.

136. The **Cash Balance** of an account is the balance due in Cash at any required date, including both debits and credits, and the interest arising on them severally, to the time when the balance is required.

137. To find the Cash Balance of an account at any required date,

Compute interest on the several debit and credit items of the account, from the date of each to the time of settlement. Enter the balance of the interest to the proper side of the account. The balance then taken will be the balance of account, including both principal and interest.

NOTE 1.—This method of ascertaining the Cash Balance of an account is based upon the principle that in settlement each party to the account is entitled to credit for the payments he has made, and for interest on them to the time of settlement.

NOTE 2.—When the balance of interest is on the *same side* with the balance of account, *add* the balance of interest to obtain the correct Cash Balance; when on the *opposite side* from the balance of account, *subtract* to obtain the correct balance.

EXAMPLE 1. In case the account with John Brown & Sons, in Example 1, Art. 134, was settled July 1st, what would be its Cash Balance at that date, with Interest at 6 per cent?
Ans. \$715.26.

<i>Dr.</i>				<i>Cr.</i>			
JOHN BROWN & SONS							
Date.	Items.	Time.	Int.	Date.	Items.	Time.	Int.
Jan. 3	\$320	179	9 42	Feb. 2	\$250	149	6 12
Feb. 17	850	134	18 72	Mar. 4	378	119	7 39
Mar. 11	200	112	3 68	Apr. 24	400	68	4 47
Apr. 6	300	86	4 24	May 6	125	56	1 15
May 17	180	45	1 33	July 1	Bal. 715.26	Bal. Int.	18 26
	18.26		37 39				37 39
	1868.26				1868.26		
July 1	715.26	Cash Bal.					

138. The foregoing is submitted as a convenient form for writing up this and like examples. The time of settlement, July 1st, is taken as a Focal Date, and columns are provided for Time and Interest, in order to keep the work compact. Interest for any number of days is obtained by multiplying one year's interest by the required number of days, and dividing the product by 365, the number of days in a year.

139. Short Method for obtaining the Cash Balance of an account current:

Multiply 1 per cent of each debit and credit item of the account by the number of days from its date to the day of settlement. Add the debit and credit products separately, and take the less amount from the greater. Multiply the remainder by the number denoting the rate per cent, and divide the product by 365. The quotient will be the balance of interest required. This balance of interest entered to the proper side of the account will give the Cash Balance required.

EXAMPLE 1, Art. 137, worked by the Short Method:

Dr. Products.		Cr. Products.	
3.2	$\times 179 = 572.8$	2.5	$\times 149 = 372.5$
8.5	$\times 134 = 1139.$	3.78	$\times 119 = 449.82$
2.	$\times 112 = 224.$	4.	$\times 68 = 272.$
3.	$\times 86 = 258.$	1.25	$\times 56 = 70.$
1.8	$\times 45 = 81.$	Cr. Products 1164.32	
Dr. Products 2274.8		$1110.48 \times 6 + 365 = 18.25$, the Dr.	
Cr. Products 1164.32		balance of Interest.	
Remainder 1110.48			

NOTE.—This process is essentially the same as that in Art. 137, but *shortened*, by first taking 1 per cent of each item on which interest is computed (done by removing the decimal point two places to the left), and then again by multiplying the difference between the Dr. and Cr. products by the rate per cent and dividing by 365, thus saving several multiplications and divisions, and reaching a more exact result.

EXAMPLE 2. With Interest at 6 per cent, what is the balance of interest, and what the Cash Balance, July 1, of the following account with E. N. Hartshorn?

Ans. Dr. Bal. of Int. \$1.91; Cash Bal. \$101.91.

Dr.				E. N. HARTSHORN				Cr.			
Mar.	4	To Mdse.	240	Apr.	6	By Cash	400				
Apr.	6	" do.	180	May	8	" do.	250				
May	8	" do.	320	June	1	" do.	200				
June	11	" do.	210								

TIME TABLE :

Exhibiting the time in months or days from any day in one month to the corresponding day in any other month.

To		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
From January	Months Days	12 365	1 31	2 59	3 90	4 120	5 151	6 181	7 212	8 243	9 273	10 304	11 334
From February	Months Days	11 334	12 365	1 28	2 59	3 89	4 120	5 150	6 181	7 212	8 242	9 273	10 303
From March	Months Days	10 306	11 337	12 365	1 31	2 61	3 92	4 122	5 153	6 184	7 214	8 245	9 275
From April	Months Days	9 275	10 306	11 334	12 365	1 30	2 61	3 91	4 122	5 153	6 183	7 214	8 244
From May	Months Days	8 245	9 276	10 304	11 335	12 365	1 31	2 61	3 92	4 123	5 153	6 184	7 214
From June	Months Days	7 214	8 245	9 273	10 304	11 334	12 365	1 30	2 61	3 92	4 122	5 153	6 183
From July	Months Days	6 184	7 215	8 243	9 274	10 304	11 335	12 365	1 31	2 62	3 92	4 123	5 153
From August	Months Days	5 153	6 184	7 212	8 243	9 273	10 304	11 334	12 365	1 31	2 61	3 92	4 122
From September	Months Days	4 122	5 153	6 181	7 212	8 242	9 273	10 303	11 334	12 365	1 30	2 61	3 91
From October	Months Days	3 92	4 123	5 151	6 182	7 212	8 243	9 273	10 304	11 335	12 365	1 31	2 61
From November	Months Days	2 61	3 92	4 120	5 151	6 181	7 212	8 242	9 273	10 304	11 334	12 365	1 30
From December	Months Days	1 31	2 62	3 90	4 121	5 151	6 182	7 212	8 243	9 274	10 304	11 335	12 365

140. To find the time between two dates in *months*, or *days*, look for the month *from which* you reckon, at the *left* of the table, opposite which, and *under* the name of the month *to which* you reckon, will be the number of months between the two dates; and under this, in the same space, the number of days. Thus: From April 1 to August 1 is 4 months, or 122 days; from November 10 to September 10 is 10 months, or 304 days. When the day of the month *to which* you reckon is greater or less than that *from which* you reckon, find the time from the earlier date to the same day in the month of the later

date, and add or subtract the difference between the days of the month, as the day of the month *to which* you reckon is later or earlier than the day *from which* you reckon. Thus: From May 4 to August 10 is 98 days; while from June 10 to September 8 is 90 days. In case the dates between which you reckon time embrace the end of February, in *leap year*, another day must be added.

PRACTICAL PROBLEMS FOR SOLUTION.

141. The author has many times been called upon for assistance by business men who would give detailed statements of their affairs but were unable to determine whether they had gained or lost in business, and how much; in case of partnerships, where the partners agree in all material facts in the case, but can not tell whether they have gained or lost in the business, or the value of their individual or joint resources therein; where one or more members of a firm wish to sell their interest in the business to one or more other members, on a basis agreed upon; but are unable to determine the value to be conveyed, etc. Some of these difficulties presenting problems arising in business where assistance has been called for, are here presented for solution.

142. Various obstacles arise in the solution of such problems. Often the facts presented are not stated in the order of sequence which should be observed in their solution. In cases where a cash account seems desirable, items are wanting which renders it necessary to dispense with it, and employ some other title of account instead, either of person or property, in order to reach the result sought. To meet such obstacles satisfactorily, and to overcome them are often the chief troubles in the solution of problems otherwise simple.

FIRST PROBLEM.

Submitted by a Commission House.

John Blake & Co., of Detroit, and C. K. Dunham, of Toledo, agree to ship butter to New York to be sold on their joint account, and to share equally in gains or losses that may arise. Blake & Co. furnish an invoice of butter worth \$965.39, which they ship to Dunham, who pays \$5.79 railroad charges, and expends \$100 in repacking. He then ships the butter to McBride & Co., of New York, who sell it and return the proceeds to him, amount \$1264.51. Dunham sells the barrels containing the butter received from Blake & Co. for \$6.25, collects from the money in his hands a balance of \$87.69 due him from them on general account, and remits to them drafts amounting to \$777.23.

Required to determine:

1st. Whether there was gain or loss in this speculation, and how much.

2d. What further sum (if any) Blake & Co. are entitled to receive from Dunham to close the account.

3d. What amount of Cash (if any) Dunham now holds.

4th. What further payment and entry are necessary to settle the business.

SECOND PROBLEM.

Adams and Brooks.—Principal and Agent.

John Adams purchases a stock of goods for which he pays \$491.90, and engages Ben Brooks to conduct the business for him, for which Brooks is to receive one third of the profits for one year. During the year Brooks

receives from sales \$5127.79, and pays for goods bought by him and for business expenses, \$1886.72. Brooks pays to Adams of receipts from sales \$2430.30. Adams further pays for goods furnished Brooks \$1143.48. The goods on hand at the end of the year are inventoried at \$147.25, and delivered to Adams.

Required to determine :

1st. Whether they have made or lost during the year, and how much.

2d. What amount of Cash (if any) Brooks now holds, and to whom it belongs.

3d. What payment and entry will close the books.

THIRD PROBLEM.

Brown and Smith.—Lumber Business.

Brown and Smith engage as equal partners in a lumber business, one managing the business and the other furnishing the capital. Smith furnishes Brown \$1012.50 for use in business. With the money thus furnished, and Cash receipts from sales, Brown buys logs, pays for sawing, piling lumber, cutting lath, hauling, etc., from time to time, the sum of \$7962.24, and receives in like manner from sales the sum of \$6871.69. For sums so received and paid, Brown renders a bill of items. Smith at one time collects \$75.25 of lumber money, which he appropriates to his own use. In addition to these receipts, certain sums are deposited in Bank. During the progress of the business, a check is drawn against the Lumber account in Bank, in favor of Smith, for \$1500, and another, in favor of Brown, for \$858.54, which sums they use in their private business. These transactions covering the business, the books are closed.

B. K.—9.

Required to determine:

- 1st. Whether they have made or lost, and how much.
- 2d. Whether Brown owes Smith, or Smith Brown, and how much.
- 3d. What payment and entry will settle the business.

FOURTH PROBLEM.

An Association employ a Druggist.

A co-operative association employ a druggist at a salary of \$650 per annum. He is furnished with Drugs invoiced at \$1240.14, and \$27.14 in Cash. He is to collect his pay quarterly from the receipts from sales. During the year he paid at different times for Drugs bought for the association \$1749.25, and received from sales \$4460.65. At the end of the year he turned over to the association the Drugs remaining on hand, invoiced at \$1409.60, and delivered to the association the key to the Cash drawer, with its contents.

Required to determine:

- 1st. Whether the association gain or lose by employing this druggist, and how much.
- 2d. Whether the gain or loss is in Cash or Drugs.
- 3d. If in both, how much in each.

FIFTH PROBLEM.

A buys, on account, B's and C's interest in a Note.

A, B, and C are equal partners in business. During the absence of B and C from the store, A makes a sale of Mdse. for \$1500, and receives a Note in payment. The proper entry is made in the books of the firm.

When B and C return, B remarks to C in A's hearing: "That's a bad sale; I'd sell my interest in that Note at a discount of 25 per cent," to which C replies: "I'd sell my interest in it at a discount of 30 per cent." A hearing these criticisms, remarks: "If that's the way you feel, gentlemen, I'll take the Note on the terms you propose." They both reply: "We mean business." The book-keeper is directed to deliver the Note to A and make the proper entry to the several accounts affected by the transaction.

Required to determine:

The Journal entry for this transaction.

SIXTH PROBLEM.

Special Partnership settlement.—Brown, Brooks & Co.

Brown, Brooks, and Chamberlain engage in business, with a capital of \$14000. Brown and Brooks each invest \$4000, and devote their time to the business. Brown receives a salary of \$1000 per annum. On account of special duties, Brooks receives a salary of \$1200 per annum. Chamberlain invests \$6000, but, performing no special duties, receives no salary. The capital invested first pays to the partners 4 per cent for its use, after which, gains and losses are shared in proportion to investments. Each partner is at liberty to withhold or withdraw, if need be, not to exceed \$1000 of his investment. But on any sum so withheld or withdrawn, he shall allow the firm interest at the rate of 5 per cent per annum. Chamberlain leaves the arrangement of the firm name to Brown and Brooks, each of whom desires his name to stand first. It is agreed between them that he who will allow the other the greatest sum for this privilege shall enjoy it. The choice comes to Brown by

the allowance of \$200 therefor, and the firm name becomes Brown, Brooks & Co. Brown actually pays in only \$3000, and Brooks, at the expiration of six months, withdraws \$1000. The gross gain of the business for first year, exclusive of interest on investments and the salaries allowed the partners, is \$5192.84, and the expenses not above specified are \$1163.35.

Required to determine:

- 1st. The net gain of the business.
- 2d. The Balances to the several partners' accounts.

SEVENTH PROBLEM.

Closing a Set of Books.—Trial Balance and Inventory only given.

John Young engages in business with assets amounting to \$60,500, and consisting of Cash, Merchandise, and Bills Receivable. His liabilities on opening his books amount to \$4500, and consist of Personal accounts and Bills Payable. During a year's business, he has bought Merchandise from time to time, in the aggregate amounting to over \$40,000. He has also invested in Real Estate. Some of his Invoices of Mdse. were paid in Cash, and others were paid by Note, while still others were bought on account. Sales of Mdse. amounting to over \$50,000 have been made from time to time, and many accounts of the Ledger have been closed. On taking an account of stock at the end of the year, the Merchandise on hand per Inventory amounts to \$18,420, and the following is a summary of the Trial Balance.

NOTE.—Simple investment in property, often dealt in for gain, does not constitute the account speculative. The Real Estate investment in this problem may be considered as worth its cost.

Dr.		TRIAL BALANCE.		Cr.
Personal Accounts	660	Stock	56000	
Bills Rec.	12160	Interest	300	
National Bank	6190	Personal Accounts	500	
Real Estate	34000	Bills Payable	1020	
Cash	1450	Profit & Loss	640	
Expense	4460	Merchandise	460	
	58920		58920	

Required to determine:

1st. Whether there has been gain or loss in the business, and how much.

2d. The amount of Young's Assets on closing, and in what they consist.

3d. The amount of his Liabilities, and in what they consist.

EIGHTH PROBLEM.

Partnership.—The Capital of Young managed by his partner.

On closing the business of the Seventh Problem as above, John Young enters into a co-partnership with Hiram Smith, and they conduct a Dry Goods and Real Estate business under the firm name of "Young and Smith." Young furnishes the capital, consisting of the Merchandise and Real Estate on hand at the close of the last problem and \$7580 of Cash, for the use of which he is to receive $4\frac{1}{2}$ per cent. Smith furnishes no capital, but devotes his time to the business, for which he is to receive a salary of \$1600 a year. After paying for the use of the capital invested, the salary of the active partner, and all expenses incurred in conducting the business, four sevenths of the net gain is to go to Young and three sevenths to Smith. At the close of the year's

business, and before making entries for the use of capital and for salary, they have on hand Merchandise worth \$25,600, and Real Estate worth \$45,000, per Inventory, with the following Trial Balance.

Dr.	TRIAL BALANCE.		Cr.
Merchandise	22500	Stock	60000
Bills Rec.	26260	Interest	450
National Bank	5750	Real Estate	1250
Cash	750		
Profit & Loss	2440		
Expense	4000		
	61700		61700

Required to determine:

- 1st. The *net gain* of this business for the year.
- 2d. The balance to Young's account.
- 3d. The balance to Smith's account.
- 4th. The amount of Resources, and in what they consist.
- 5th. The amt. of Liabilities, and in what they consist.
- 6th. The value of *net* Stock and to whom it belongs.

JOINT STOCK COMPANIES.

143. A partnership is an association of two or more persons for the purpose of transacting business, with their united ability and means, as one party, with an agreement to share the profits arising therefrom on some established basis.

NOTE 1.—Such a partnership, called also a firm or company, can be changed only by the agreement of all the persons composing it, and is terminated by the expiration of the time for which it was made, or by the death of any one of its members.

NOTE 2.—A partner may sell his interest in the common property of a firm, but the person buying can become a partner in his place only by the consent of the other partners.

144. A Joint Stock Company is a species of partnership, consisting generally of a large number of persons, with a capital made up of shares whose owners may transfer the stock to others without consulting the co-partners.

NOTE.—The stockholders of such companies may make assignment, buy more stock, or sell what they have. The interests of members may thus change, and the members themselves, but the company continues, and may be perpetual, unless limited by its charter or terminated for cause.

145. It many times seems desirable to conduct a business requiring more means than any one person, or any small number of persons interested, have at their disposal. In such cases, enterprises of importance to a whole community can be wisely inaugurated and successfully carried on only by combining the capital and the practical skill of a considerable number of persons. It is under such circumstances that Joint Stock Companies become a necessity, and meet the emergency by providing the means requisite to success.

146. Persons organizing a Joint Stock Company, or purchasing shares of its stock after organization, do so with the knowledge that their investments are devoted to the purpose for which the company is organized. Stockholders have equal rights in the election of officers in proportion to the number of shares of stock they severally own, and a right to their share of the profits of the company derived from the prosecution of its business; but they have no claim on the company for a return to them of their investments.

147. With the company organized, and at their annual meetings thereafter, the stockholders of a Joint Stock Company choose trustees or directors, who are intrusted with the management of the company's affairs, and who appoint persons to conduct its business under their direction.

NOTE 1.—The transactions of Joint Stock Companies and the books required for their current business are the same as in the case of individuals and firms.

NOTE 2.—The chief difference between them consists in the organization of such companies, the purchase and sale of certificates of stock by which its actual owners are changed, and the manner of conducting their annual elections. These distinctive features will now be briefly considered.

148. At a meeting called for that purpose, let us suppose it is decided to organize a manufacturing company, with a capital of \$60,000, that a paper is presented for subscriptions to capital stock in \$100 shares, and that the requisite six hundred shares are subscribed by ten persons, at a meeting held November 10th, as follows:

SUBSCRIPTIONS TO THE HOME MANUFACTURING COMPANY.

Number of Shares Subscribed.	Amount.	Signatures and Seals.
Ninety	90 9000	John King [L. S.]
Ninety	90 9000	Henry Brown [L. S.]
Seventy-five	75 7500	George Curtis [L. S.]
Sixty	60 6000	Jay Howard [L. S.]
Forty-five	45 4500	Mary Brooks [L. S.]
Sixty	60 6000	Otis Wood [L. S.]
Sixty	60 6000	Hiram Evans [L. S.]
Forty-five	45 4500	Eliza Smith [L. S.]
Forty-five	45 4500	Isaac Sands [L. S.]
Thirty	30 3000	John Sutton [L. S.]
600	60000	

149. After these subscriptions have been made, John King is chosen President; George Curtis, Secretary; and Hiram Evans, Treasurer. These officers are instructed to provide such books and stationery as will be required in perfecting their organization. The Treasurer is instructed to collect 10 per cent of the Stock subscribed, as here shown, and to issue Installment Scrip therefor, to be signed by himself and the President, when they adjourn to meet again in one week.

NOTE.—These proceedings should be recorded in a Book of Minutes kept by the Secretary, and attested by his signature.

150. At the meeting of November 17th, the officers report that they have procured the following books for the use of the company: Book of Minutes, Installment Book, Capital Stock Journal and Ledger, and Certificate Book. Sample pages of most of these are here introduced, showing their form and use. The Treasurer has collected from the subscribers to Capital Stock the first Installment of 10 per cent. Nos. 2 and 6 of Installment Scrip issued are shown on the following pages.

NOTE 1.—The Capital Stock Ledger shows the credits to which subscribers become entitled from time to time, based upon their payments of assessments, as shown by the Installment Scrip Book.

NOTE 2.—Enough of both of these books is shown to illustrate their use. The same is true of the Certificate Book, used also as a Transfer Book.

151. A second Installment of 40 per cent is collected Nov. 26th, for which Installment Scrip is issued similar to that shown on next page, and credit is given to the subscribers, as shown in the Stock Ledger. A third Installment of 50 per cent is collected Dec. 20th, for which credit is given in the Stock Ledger. The Stock being now all paid in, Certificates of Stock are issued to subscribers, samples of which appear in the Certificate Book. The proper entries are also made in the Stock Ledger, as shown.

NOTE 1.—When subscriptions to Joint Stock Companies are paid at the time they are made, or all at once, the Installment Book may be dispensed with.

NOTE 2.—These Stock Certificates are transferable only on the surrender of certificates held by sellers, at the office of the Company for cancellation, and the issue of new certificates to parties entitled to them. Sales of stock can not be considered as *completed* until new certificates are issued and entered upon the books of the Company. The Stock Ledger thus at all times shows the owners of Stock, and the number of shares held by each stockholder.

INSTALLMENT SCRIP BOOK.

\$900.	Home Manufacturing Co.	90 Shares.
Received of <i>Henry Brown</i> <i>Nine Hundred</i> <i>Ten</i> Dollars per share of the <i>First Installment on Ninety</i> Shares of the CAPITAL STOCK OF THE HOME MANUFACTURING COMPANY, which shares are set apart for <i>himself</i> or <i>his</i> assigns on condition of the fulfillment of the terms of subscription. In Witness Whereof, We hereto subscribe our names this <i>Fifteenth</i> day of <i>November</i> , <i>One Thousand Eight Hundred and Eighty four</i> . <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="text-align: center;"> <i>Hiram Evans,</i> Treasurer. </div> <div style="text-align: center;"> <i>John King,</i> President. </div> </div>		

INSTALLMENT SCRIP.	No. <i>2.</i>	Date, <i>Nov. 15, 1884</i>
----- ----- -----	<i>90</i> Shares.	<i>1st</i> Installment.
-----	10 per cent.	<i>\$900</i> -----

INSTALLMENT SCRIP BOOK.

\$600.	Home Manufacturing Co.	60 Shares.
Received of <i>Otis Wood</i> <i>Six Hundred</i> Dollars, being <i>Ten</i> Dollars per share of the <i>First</i> Installment on <i>Sixty</i> Shares of the CAPITAL STOCK OF THE HOME MANUFACTURING COMPANY, which shares are set apart for <i>himself</i> or <i>his</i> assigns on condition of the fulfillment of the terms of subscription. In Witness Whereof, We hereto subscribe our names this <i>Seventeenth</i> day of <i>November</i> , <i>One Thousand Eight Hundred and Eighty four</i> .		
<i>Hiram Evans,</i> Treasurer.		<i>John King,</i> President.

INSTALLMENT SCRIP.	
No. 6	Date, <i>Nov. 17, 1884</i>
---60--- Shares	---1st--- Installment.
10 per cent.	\$600---

CERTIFICATE AND TRANSFER BOOK.

CAPITAL STOCK. \$80,000.	HOME Manufacturing Co.	No. OF SHARES. 600 Shares.	<p>We hereby certify that <i>Henry Brown</i> is entitled to <i>Ninety</i> Shares of One Hundred Dollars each, in the CAPITAL STOCK OF THE HOME MANUFACTURING CO., transferable on the books of said Company by himself or his legal representative, on the surrender of this Certificate.</p> <p>In Witness Whereof, We hereto affix our names this <i>Twentieth</i> day of <i>December</i> <i>One Thousand Eight Hundred and Eighty-four</i></p> <p style="text-align: right;"> <i>Hiram Evans,</i> <i>John King,</i> Treasurer. President. </p>
No. 2.	CERTIFICATE OF STOCK.		No. 2.

HOME Mfg. Co.	CERTIFICATE & TRANSFER BOOK.	No. 2. 90 Shares.	Issued to <i>Henry Brown</i> <i>Dec. 20, 1884.</i>
No. Canceled.	No.	Issued

CERTIFICATE AND TRANSFER BOOK.

CAPITAL STOCK. \$80,000.	HOME Manufacturing Co. No. OF SHARES. 600 Shares.	<p>We hereby certify that <i>Otis Wood</i> is entitled to <i>Sixty</i> Shares of One Hundred Dollars each, in the CAPITAL STOCK OF THE HOME MANUFACTURING CO., transferable on the books of said Company by himself or his legal representative, on the surrender of this Certificate.</p> <p>In Witness Whereof, We hereto affix our names this <i>Twentieth</i> day of <i>December</i> One Thousand Eight Hundred and Eighty <i>four</i></p> <p style="text-align: right;"> <i>Hiram Evans,</i> <i>John King,</i> Treasurer. President. </p>	No. 6.
CERTIFICATE OF STOCK.		No. 6.	

HOME Mfg. Co. ===== CERTIFICATE & TRANSFER BOOK. ===== No. 6. 60 Shares. Issued to <i>Otis Wood</i> <i>Dec. 20, 1884.</i>	No. 6 Canceled. Nos. 11 and 12. Issued <i>Jan. 8th, 1885.</i>
--	--

CAPITAL STOCK LEDGER.

Dr.		JOHN KING		Cr.
		1884.		
		Nov. 15	90 Shares, 1st Inst'l't	900
		" 26	90 Shares, 2d Inst'l't	3600
		Dec. 20	90 Shares, 3d Inst'l't	4500
		" 20	Certificate No. 1	9000
Dr.		HENRY BROWN		Cr.
		1884.		
		Nov. 15	90 Shares, 1st Inst'l't	900
		" 26	90 Shares, 2d Inst'l't	3600
		Dec. 20	90 Shares, 3d Inst'l't	4500
		" 20	Certificate No. 2	9000
		1885.		
		Jan. 8	do. " 11	2000
Dr.		OTIS WOOD		Cr.
1885.		1884.		
Jan. 8	Certificate No. 6	Nov. 17	60 Shares, 1st Inst'l't	600
		" 26	60 Shares, 2d Inst'l't	2400
		Dec. 20	60 Shares, 3d Inst'l't	3000
		" 20	Certificate No. 6	6000
		1885.		
		Jan. 8	do. " 12	4000

152. The Transfer Book is a book for registering transfers of Stock Certificates in case of the sale of Stock, and may be combined with a Certificate Book. As only stockholders can have occasion to ask for a transfer, a blank form may be printed on the back of certificates for use as required, in the following words, or others of like import:

For value received *I* hereby assign and transfer to *Henry Brown*, *Twenty* shares of the within Stock, and

authorize and request the Secretary to make the necessary transfer on the books of the company.

Witness *my* hand and seal this *eighth* day of *January*, 1885.
(Signed) OTIS WOOD. [L. S.]

NOTE 1.—Here Otis Wood sells to Henry Brown twenty of the Shares of Stock standing in his name, as shown in Certificate No. 6, fills the blank on the back of said Certificate, as above shown, and forwards the same to the Secretary, when the lower part of the stub is filled as shown in Certificate Book, and an entry made in the Transfer Journal, for convenience of reference and posting, as follows:

No. 6, Otis Wood,	Dr.	60 shares.	
To No. 11, Henry Brown,			20 shares.
" No. 12, Otis Wood,			40 shares.

NOTE 2.—This entry shows *one* certificate canceled, and *two* issued in its stead, together making the same amount. No. 6 is posted to the Dr. and No. 12 to the Cr. of Wood's account, and No. 11 to the Cr. of Brown's account, as shown in the Stock Ledger.

NOTE 3.—Entering all transfers in like manner, the Cr. side of the Stock Ledger will at all times show the No. and amount of Certificates issued; and the Dr. side, the No. and amount of Certificates canceled, and the Cr. balance to any stockholder's account will show the amount standing in his name.

153. The foregoing, from Art. 143, relates exclusively to the Stock Books, which are entirely separate from the books recording the transaction of the business of the company. As money or property are realized from the payment of installments on subscriptions, or from the sale of Certificates, the Operating Books of the business may be opened as in other cases, making Cash and property held, Dr. to Capital Stock, employing such number and variety of books for recording transactions as the business shall require, as in general book-keeping.

154. When a Joint Stock Company would make a dividend to stockholders, all speculative accounts are properly closed into Profit and Loss, as in other cases, in order to ascertain what has been made in the business. It may then be thought best to set aside a por-

tion of the earnings of the business to meet possible reverses, or for improvements that may seem desirable, and to divide among stockholders what remains of the net gain to a given date.

NOTE 1.—Suppose the Profit and Loss account shows that our Company has made \$4500, and the directors decide to make a dividend of 5 per cent to stockholders, setting aside a *reserve* of \$1500. The proper entry in the books to show this action is:

Profit and Loss	Dr.	\$4500	
	To Reserve		\$1500
	" Dividend		3000

NOTE 2.—With a Bank account exceeding the Dividend account provided for, the dividend may be made thus: Make an alphabetical list of stockholders from the Stock Ledger, showing the amount of Stock standing to the Cr. of each. In a special Check Book, "for the payment of Stock dividends," fill Checks to the order of the several stockholders, for the amount of dividend due them, when this Journal entry may be made:

Dividend	Dr.	\$3000	
	To Bank		\$3000

The posting of this entry, and the delivery of the Checks to the parties entitled to them, completes the payment of the dividend.

NOTE 3.—Printed notices may be sent to the Stockholders, informing each of the dividend made, and of the amount due him, which will be paid on application, or held subject to his order; or checks may be sent with the notification that a dividend has been so made.

NOTE 4.—When Checks showing on their face that they are used "for the payment of Stock dividends" (Note 2) are on their return from the bank filed together and preserved, they become vouchers for the payment of such dividends.

NOTE 5.—Some prefer opening an account with each stockholder to the method shown in Note 2. After the entry in Note 1 has been made they would say:

Dividend	Dr.	\$3000	
	To Stockholders (severally),		

giving each credit for the amount due him, and then make the Stockholders Dr. (severally) to the Bank as Checks are paid them. Where the dividends of Stockholders are for any cause left with the Company, this method enables the secretary (or book-keeper) at any time more readily to determine the condition of any stockholder's account.

NOTE 6.—In case of the transfer of Stock, the Certificates bearing the request and returned for cancellation, authorize the entry in the Transfer Journal shown in Art. 152, Note 1. But these Certificates should be preserved for reference, when necessary, to show authority for the transfer. This may be done by placing them on file, or by pasting them to the stubs of the Certificate Book from which they were taken.

155. In elections stockholders are entitled to cast one vote for every share of stock they hold, whether in their own right or by proxy. There may be as many votes cast at an election as the Company has shares of stock, and no more.

NOTE.—In case a company of four hundred stockholders should together hold one thousand shares, three of them holding one hundred and seventy-five shares each, could by united action control an election; for their three votes represent 525 shares of stock, while the votes of the other three hundred and ninety-seven stockholders would represent only 475 shares; and so in other cases.

156. Suppose this Company conducts the business one year (more or less), and the Board of Directors declare a dividend to the stockholders of a portion of the Company's earnings to date. On closing their books in the usual way, the Profit and Loss account shows a net gain of \$4950, and the Company has \$3500 to its credit in Bank. The Directors decide to make a dividend of 4 per cent upon their Capital Stock, and enter the excess of profits to the Reserve account. Each of the original stockholders retains the Stock taken on the organization of the company, except the changes shown in the Stock Ledger.

Required to determine:

1st. An alphabetical list of stockholders, with the number of shares standing to the credit of each.

2d. The dividend to which each stockholder is entitled, and the amount of the whole.

3d. The condition of the Profit and Loss account after the dividend declared is made.

4th. The condition of the Reserve account.

5th. The balance remaining in Bank after checks in payment of dividends have been made and delivered to stockholders.

SPECIAL COLUMNS AND BOOKS.

157. Special Columns are columns additional to those usually employed in keeping accounts, introduced for convenience in particular cases, and generally for saving time, space, or work. Their number and use will depend upon the nature of one's business and the particulars he wishes to record.

NOTE 1.—In the Cash Book, at pages 102 and 103, special columns are introduced for Merchandise, both Dr. and Cr. Their use saves time and space in posting, as shown in Art. 116 and Notes.

NOTE 2.—In a Journal for a Retail Business, a special column for *Merchandise Cr.* may be introduced to advantage, thus constituting a *three-column* Journal, which is a favorite form with many merchants and accountants.

NOTE 3.—In case items of Expense often occur, a special column for *Expense Dr.* may be added, making a *four-column* Journal. In like manner columns may be added for any purpose, Dr. or Cr., or both.

NOTE 4.—By introducing additional Dr. and Cr. columns for *Cash*, a *six-column* Journal is provided. Then by posting the footings of the Cash columns the Ledger is made to contain a condensed Cash Account, which some prefer.

158. The Purpose in employing special columns in Journalizing is to save work in posting, and to accommodate Ledger Accounts in less space. The use of special columns involves no new principle; and they can be properly employed only when they may be made to serve one or both of the purposes named.

159. Special Books may be employed to advantage in many cases, as books of original entry, and auxiliary to the Day Book or Journal. The consideration of some of

these, in connection with their particular uses, may aid the learner in originating others, as he may have occasion for their employment in business.

160. A Time Book is especially useful in large mechanical and manufacturing establishments in which many persons are employed. In it are entered the names of workmen, their department of work, time employed, rate of daily wages, the amount of wages for the month, and the total amount of Pay Roll for this time. The form on the next folio is convenient for a daily register.

NOTE 1.—With a Time Book kept as there indicated, one entry per month in the Cash Book is sufficient for the payment of all the workmen, whether only 4, as there, or 400. The entry for this Pay Roll, on the Cr. side of the Cash Book, would be, under date of payment:

By Pay Roll	\$159.56
-------------	----------

NOTE 2.—In case of checking from Bank the sum required for the payment of a month's wages, one Journal entry would suffice for the record, as follows:

Pay Roll	Dr.	\$159.56	
	To Bank		\$159.56

The entries here shown contemplate monthly payments. In case payments are not so made, personal accounts with employes become necessary.

NOTE 3.—Although receipts should generally be taken when moneys are paid, in case of employing a large number of hands this is not now generally done, and is in many cases impracticable. But entries like the above, agreeing in amount with the footings of the Pay Roll, are evidence of payment.

NOTE 4.—With many hands employed in different branches of labor, as supervision, molding, finishing, etc., if desirable to keep an account of the cost of each separate branch or department of the business, it can readily be done by classifying the Pay Roll, entering the names of persons engaged in each separate department together, and full extending each class by itself. In either case, however, the Pay Roll would really be but a branch of the Expense Account.

NOTE 5.—The Time Book, kept as here indicated, is at once a Pay Roll and a book of original entry, and, as such, should be preserved as an essential part of the records of one's business.

PAY ROLL OF BROWN, SMITH & Co.,

Names.	Work.	1	2	3	4	5	6	7	8
		16	17	18	19	20	21	22	23
Jas. Smith	Foreman	/	/	/	/	/	/	/	/
O. Brown	Fireman	/	/	/	/	/	/	/	/
M. Hall	Porter	/	/	/	/	/	½	/	/
Wm. Fox	Laborer	/	/	/	/	/	/	/	/

161. A Physician's Diary, of sufficient size for recording daily visits to his patients, may be so arranged as to be convenient for the pocket, a reliable book of original entry, and an important auxiliary to a complete set of account books for his entire business. The following form admits of entering the names of the parties with whom accounts are kept, the amount of charge and of payment, and any remarks that may be deemed desirable, and shows the member of family visited, with the number of visits and the days of making them, for one week, without rewriting names:

DAILY RECORD FOR WEEK ENDING *Dec. 20th, 1884.*

Accounts.	Amt.	Paid.	Remarks.	Su.	M.	Tu.	W.	Th.	F.	Sat.
H. Brown	16	7	29 Fort Street Typhoid fever	V. 2.	V. V. 4.	V. P. 3.	V. 2.	V. 2.	P. 1.	V. 2.
O. Brooks	7 75		204 Cass Ave. Measles		Alice 2.	P. 1.	Lucy 2.	V. 2.	M. .75	
J. Smith	8 75	8 75	Farmer, Holden Rd. Injured left hip	5.	2.	1.		M. .75		
T. White	8		801 Main Street Hooping cough	V. 2.		V. 2.		V. 2.		V. 2.
	40 50	15 75								

FOR THE MONTH OF *December, 1884.*

9 24	10 25	11 26	12 27	13 28	14 29	15 30	31	Time.	Rate.	Amount.	Total.
/	/	/	/	/		/		27	2	54	
/	/	/	/	/	/	/	/	27	1 75	47 25	
/	/	/	/	1/2		/	/	25 5	1	25 50	
/	/	/	/	/		/	1/4	26 25	1 25	32 81	159 56

The Journal entry, for the record in the Diary here exhibited, will be as follows:

H. Brown	Dr.	16.	
O. Brooks		7.75	
J. Smith		8.75	
T. White		8.	
To Prof. Services		40.50	

The entry in the Cash Book for the payments here entered will be on the Dr. side, as follows:

To H. Brown	7.
" J. Smith	8.75

NOTE 1.—These entries, posted to the Ledger, will give a complete record of the work entered in the Diary. Professional Services will have credit for services rendered. Each party served will be Dr. for the service rendered him, and Cr. for payments made. The account with Smith will be closed. Other transactions between a Physician and his patients would be recorded as in ordinary business.

NOTE 2.—By using a visiting list occupying a folio for what is here shown (there are a variety of similar ones in the market), a Physician may with little additional labor keep a very complete set of accounts. But one Journal and Cash Book entry would be required for the visits of a week, or the record of a folio of the Diary, however long its range of time. Some of these Diaries give a week, some ten days, and others a month, to a folio.

NOTE 3.—A Journal might be dispensed with, and posting be done directly from the visiting list. This would require an additional col-

umn at the left for Ledger folio. The footings of "Amount" and "Paid" would be posted to Professional Services and to Cash.

NOTE 4.—Most Diaries suggest abbreviations that might suitably be employed; as, V. for visit; P., prescription; M., medicine; and so on. The amount of the charge would usually indicate the nature of the service rendered, so the name of the patient (when *not* the one in whose name the account was kept) might be entered, as in case of O. Brooks in the Record here shown.

162. Farm Accounts may be kept in simple Ledger Accounts, as with persons or Cash, by making the Farm, or any portion of it with which an account is kept, Dr. for what it costs, and Cr. for what it produces. The excess of the Cr. side of any such account over its Dr. side, will be *net gain* for the time. In case the Dr. side of the account exceeds the Cr. side, the difference will represent *net loss*.

NOTE 1.—Accounts may be thus kept with one or any number of fields, or departments of farm work, for a single crop or for one year, as with a Corn-field, a Wheat-field, a Sheep and Wool Account, etc. Each such account would show its gain or loss.

NOTE 2.—With but little more work a regular set of double-entry books may be kept, including all such accounts as one may have occasion to employ. These books may be opened and kept as in a mercantile or general business. The several farm accounts kept, in such cases, will be *speculative*, and, in closing the books, should be treated like such accounts in any other business.

163. A Farm Record, furnishing a full and complete record of one's farming operations, including the cost of labor employed in preparing fields for crops; the cost of seed, and of planting or sowing; the cost of protecting and cultivating growing crops, and of harvesting them; the price they bring when sold, or their worth as used; the kind, quantity, and cost of fertilizers employed; the effect of rotation of crops, etc., etc., would be of great value in enabling farmers to profit most largely by their individual or joint experience. But this involves more labor than the average farmer has hitherto cared to undertake.

164. The Profits arising from raising different crops, and from different methods of cultivating the same crop, greatly vary; but to what extent, comparatively few farmers know, though the knowledge might be of great value to them. A systematic record, not requiring great labor, will furnish them the means of determining the cost and production of different crops or branches of farming, and the profit or loss thence arising, with an approximate accuracy that will be of service in enabling them to decide when wisely to extend certain operations, and when discreetly to curtail others.

165. A Farm Register, for labor performed, may be kept on the general plan of the Time Book already shown, but in a larger book, to accommodate the days of the month in once crossing the folio, by using the left column for the *titles* of speculative accounts, or branches of farming, as Wheat-field, Orchard, Live Stock, Dairy, etc., and entering regularly the number of days' work expended upon each such branch. Two lines might be used for each title—say the upper for day's work of *men*, and the lower for *team*—which would be at different rates, and the amount of the whole extended at the right, when one Journal entry for a folio may cover the cost for labor and team on all such accounts, by making each Dr. for what it has received, and Labor and Team Cr. for the whole. The entries required for other transactions will be comparatively few.

NOTE 1.—If Wheat is bought for seed, the entry will be: Wheat-field Dr. to Cash, or whatever is paid. When the crop is sold, the entry will be: Cash, or what is received, Dr. to Wheat-field, etc. When hired men are settled with, Labor will be Dr. to Cash, to whatever is used in payment, or to the men themselves, if on account. Should the Labor Account, on closing, have a Dr. balance, it would show the cost of labor not properly belonging to any specific field, but to the farm as a whole, and would lessen the net gain from it.

NOTE 2.—Should the labor of the farmer, or of members of his family interested with him, but not specially paid for, be charged to

particular fields, the Labor Account might have a Cr. balance to close into Profit and Loss, which would represent the family's compensation in farm improvements, and increase in values belonging to the farm.

166. An Expense Account would properly be opened and debited for such general farm expenses as repairs, and other legitimate outlays that do not belong to some specific branch with which an account is kept. When, at the close of a season, Labor has a Dr. balance, it would properly close into Expense.

167. A Family Expense Account would also properly be kept, and made Dr. for every thing bought for family use, including the market price of such products of the farm as might be used by the family. Should several families have a joint interest in the farm, it would be essential, to an accurate division of gains and losses among them, that Family Expense Accounts be kept for them severally.

NOTE.—Where a Family Expense Account is kept, the books would show the profits from farming, the cost of living, and the net increase. Otherwise the net result would be reached without showing either the net gain on farming or the cost of living.

ALPHABETICAL INDEX.

- Abbreviations and Signs, 6.
- Acceptance, defined, 49.
 - illustrated, 59.
 - parties to an, 49.
 - when requiring date, 49.
- Accommodation Paper, 51.
 - for what purpose made, 52.
 - effect of, between parties, 52.
 - effect with third parties, 52.
 - who should pay, 52.
- Account, defined, 8.
- Account Books, defined, 25.
- Account-sales, defined, 104.
- Accounts, first classification of, 8.
 - Personal, 8, 20.
 - Real, 8.
 - Imaginary, 8.
- Accounts, 2d classification of, 9.
 - Speculative, 9.
 - Non-speculative, 9.
- Accounts, titles of, 9, 20.
 - Equation of, 119-123.
 - examples in, 120-121.
 - short method for, 121.
- Assets, defined, 8.
- Average time, 116.
 - date, 117.
- Bank Accounts, how kept, 23.
- Bank Draft, defined, 49.
 - becomes an acceptance, 59.
 - use illustrated, 49, 58.
- Bill Book, form of, 78-79.
 - importance of, 78-79.
- Bill of Exchange, 51.
 - drawn in sets, 51.
 - their use, 51.
 - which is paid, 51.
 - Domestic exchange, 51.
 - Foreign exchange, 51.
- Bills Receivable include, 23.
 - Payable include, 23.
- Book-keeping, defined, 8, 16.
- Books of Account, 25.
 - how to open them, 28.
- Books, special, 146-152.
- Business, defined, 7.
- Cash Account, 22.
- Cash balance, 123-125.
 - short method for, 124.
 - examples in, 125.
- Cash Book, defined, 26.
 - illustrated, 100-103.
 - favors brevity, 101-102.
 - special columns in, 102-103.
- Check, defined, 48.
 - who may make, 48.
 - requires indorsement, 48.
 - becomes a receipt, 48.
- Classification of Accounts, 8.
 - First classification of, 8.
 - Second classification of, 9.
- Closing the Ledger, defined, 30.
 - explained, 30-32, 69-77.
 - by three entries, 31, 42-43, 75.
 - by one entry, 32, 42-43, 75.
 - Diagram for, 33.

- Commercial Forms, 55-60.
 Note on interest, 55.
 paid and receipted, 56.
 indorsements shown, 56-59.
 payable at bank, 57.
 indorsed and paid, 58.
- Commercial Papers, 47-52.
- Consignment, defined, 21.
- Credit, term of, 117.
 average term of, 118.
- Creditor, defined, 7.
- Date, average, 117.
 focal, 117.
- Day Book, contains, 25.
 illustrated, 40, 42, 80-83.
- Days of Grace, defined, 52.
 usage in different states, 52.
 tendency to disallow, 52.
 holidays excepted, 52.
- Debtor, defined, 7.
- Deposit Book, defined, 50.
 receipts for deposits, 51.
 held by depositor, 51.
- Deposit Checks, defined, 50.
 their form and use, 50.
- Diagram for closing Ledger, 33.
- Diary, Physician's, 148-149.
 used as an auxiliary 149.
- Discount, defined, 24.
- Double-entry, defined, 16.
- Draft, defined, 48-49.
 maker or drawer, 49.
 drawee, payee, indorsee, 49.
 Bank Draft, 49, 58.
 use illustrated, 49, 58.
- Equation of Accounts, 119-123
 examples in, 120-123.
 short method of, 121.
- Equation of Payments, 115-119.
 examples in, 118-119.
- Examples for Prac., 14-16, 111-125.
- Exchange, bill of, 51.
 set of, 51.
- Exchange, domestic, 51.
 foreign, 51.
- Expense, defined, 22, 152.
- Family Expense, 152.
- Farm Accounts, 150-152.
- Farm Record, 150.
- Farm Register, 151.
- Firm Name, defined, 20.
- First Set, 34-46.
- Focal date, 117.
- Fourth Set, 104-110.
- Grace, days of, 52.
 in different states, 52.
 tendency to disallow, 52.
 holidays excepted, 52.
- Illustrative Exs., 10-14, 16-19.
- Illustrative Set, 34-46.
- Imaginary Accounts, 8.
- Indorsement, defined, 51.
 effect of, 51.
 open indorsement, 51.
 full indorsement, 51.
 open made full, 51.
- Interest, defined, 24.
 for months and days, 52-53.
- Inventory, how used, 30-31.
 entered in *red ink*, 31.
 First Set, 42.
 Second Set, 69.
 Third Set, 96.
 Fourth Set, 109.
- Invoice Book, contains, 26.
 illustrated, 99.
- Joint Stock Companies, 134-146.
 when a necessity, 135.
 a species of partnership, 135.
 its members may change, 135.
 rights of stockholders, 135.
 organizat'n of companies, 136.
 election of officers, 135, 145.
 books for current business, 136.

- Joint Stock Companies**, distinctive features, 136.
 installment scrip, 137.
Installment Scrip Bk., 138-139.
 when not required, 137.
 certificates of stock, 137.
 how transferable, 137.
Certificate and Transfer Book, 140-142.
Capital Stock Ledger, 142.
 assignment of stock, 142-144.
 record of assignment, 143.
 dividends, how made, 143-145.
Journal, defined, 26.
 illustrated, 41, 43, 84-87.
 opening entries, 28, 54.
 current entries, 29.
 closing entries, 30, 75.
 special columns, 103, 146.
Journal Day Book, 26.
 its form and use, 100.
Journalizing, rules for, 27.

Ledger, defined, 28.
 illustrated, 44-46, 88-91.
 closing the, 31, 42-43, 75.
 Diagram for closing, 33.
 see **Skeleton Ledger**.
Ledger Balances, 32, 34.
 First Set, 46.
 Second Set, 77.
 Third Set, 97.
 Fourth Set, 110.
Liabilities, defined, 8.

Merchandise Account, 21.
Month, defined, 52.
 when thirty days, 53.

Non-speculative Accounts, 9.
Note, defined, 47.
 written or printed, 47.
 parties to, 47.
 negotiable, 47.
 where payable, 48.

Note, presentation necessary, 48.
 illustrations, 55-58.

Opening books, defined, 28.
Opening and Closing, 111-115.
 Examples for Prac., 111-115.
 with **Stock Account**, 112-113.
 Partners'p, without **Stock**, 113.

Partnership, defined, 134.
 a firm or company, 134.
 how partner may sell, 134.
 firm name, defined, 20.
Payments, equation of, 115-119.
 examples in, 118-119.
 average time, 116.
 average date, 117.
Pay Roll, 147-149.
Personal Accounts, 8, 20.
Physician's Diary, 148-149.
 auxiliary acct. book, 148-149.
Posting, defined, 27.
 suggestions for, 27.
Practical Problems, 127-134.
 Commission House, 128.
 Principal and Agent, 128.
 Partnership, Lumber, 129.
 Association, Drugs, 130.
 Sale of note to joint owner, 130-131.
 Special partnership settlement, 131-132.
 Closing sets of books, 132-134.
Profit and Loss Account, 24.

Real Accounts, 8.
Real Estate Account, 22.
Record, a farm, 150.
Red Ink entries, 14, 31-32, 49.
Register, a farm, 151.
Resources, defined, 8.

Sales Book, defined, 25.
 illustrated, 98.
 Set, First, 34-46.

- Set, Second, 53-91.
 Third, 92-103.
 Fourth, 104-110.
Shipment, defined, 22.
Skeleton Ledger, 73-74.
Special books, 146-152.
 how advantageous, 146.
 illustrations, 148-149.
Special columns, 102-103, 146.
Speculative Accounts, 9.
Stock Account, defined, 20.

Term of credit, 117.
 average term of, 118.
 examples in, 118-119.
Third Set, 92-103.

Third Set, rewritten, 100-103.
Time, average, 116.
Time Book, its use, 147-149.
 becomes a Pay Roll, 147-149.
 book of original entry, 147.
Time Table, 126.
 how used, 126.
Titles of Accounts, 9, 20.
Transaction, defined, 7.
Trial Balance, defined, 29.
 what it indicates, 30.
 for First Set, 46.
 for Second Set, 65, 71.
 for Third Set, 97.
 for Fourth Set, 110.
 taken monthly, 29, 53.

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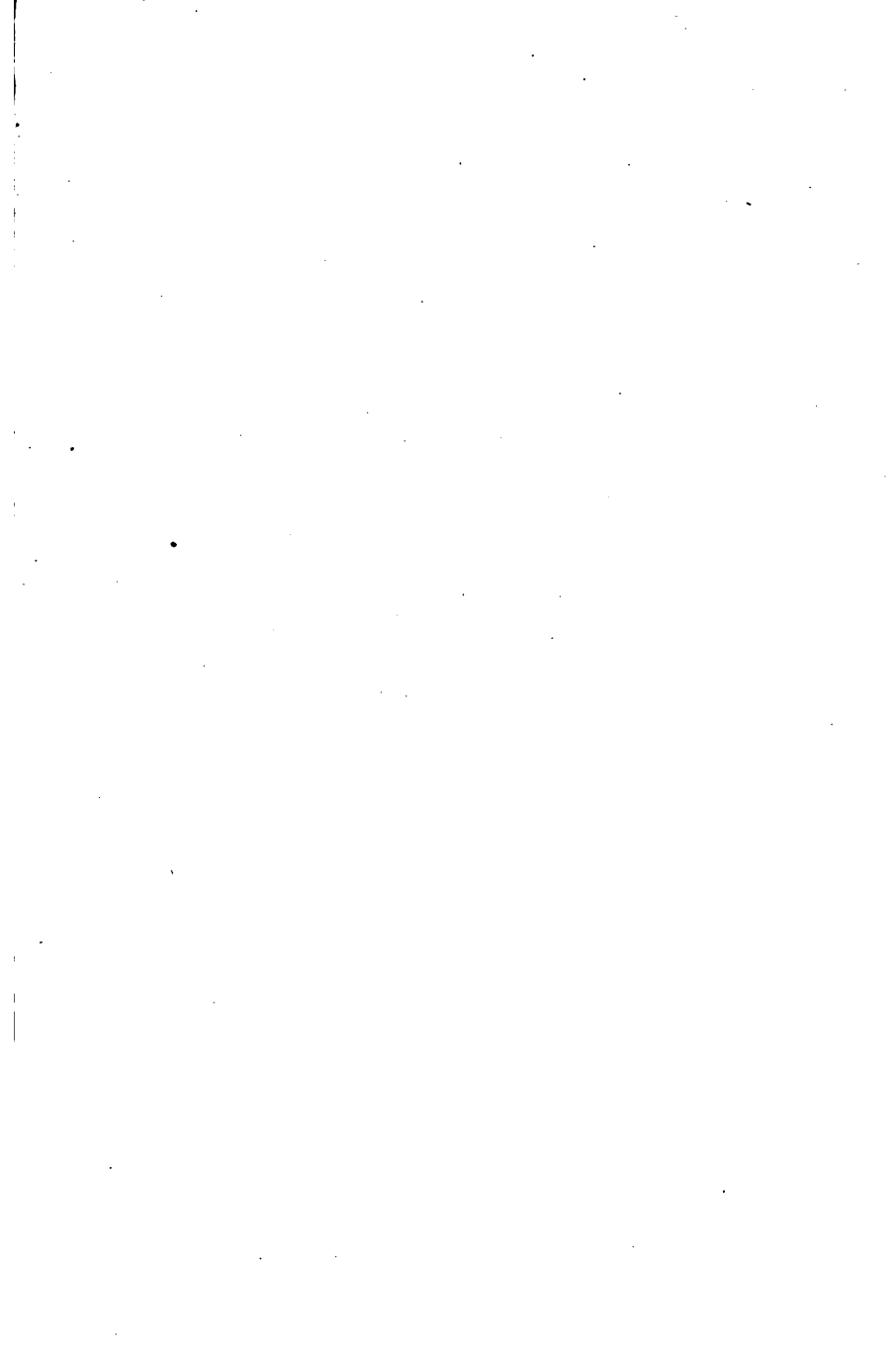
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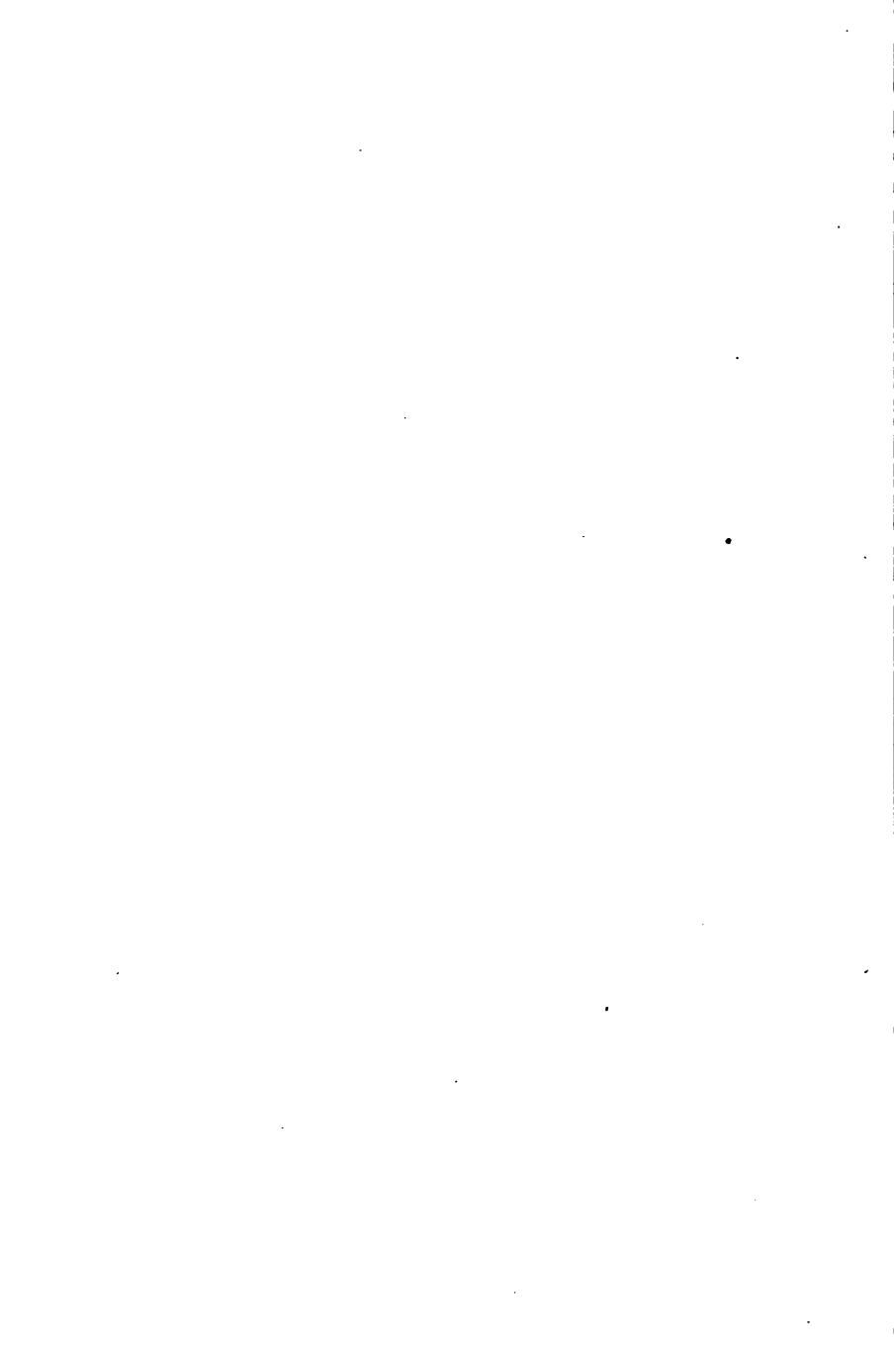
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